

POSTAL RATE COMMISSION

In the Matter of:)
)
 COMPLAINT OF TIME WARNER,) Docket No. C2004-1
 INC., ET AL., CONCERNING)
 PERIODICAL RATES)

Conference Room 300
 Postal Rate Commission
 1333 H Street, N.W.
 Washington, D.C.

Volume 4
 Tuesday, July 13, 2004

The above-entitled matter came on for hearing
 pursuant to notice, at 9:34 a.m.

BEFORE:

HON. GEORGE A. OMAS, CHAIRMAN
 HON. TONY HAMMOND, VICE-CHAIRMAN
 HON. RUTH Y. GOLDWAY, COMMISSIONER
 HON. DANA B. COVINGTON, COMMISSIONER

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C O N T E N T S

WITNESSES APPEARING:
ROBERT W. MITCHELL

<u>WITNESSES:</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>	<u>VOIR DIRE</u>
Robert W. Mitchell					
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P R O C E E D I N G S

(9:34 a.m.)

CHAIRMAN OMAS: Good morning. Today we are continuing the evidentiary hearing of Docket No. C2004-1 considering the complaint concerning periodical rates filed by Time Warner, et al.

We adjourned yesterday during the cross-examination of Witness Mitchell. The next participant scheduled to cross-examine is McGraw-Hill.

Does any participant have a procedural matter we should tend to before we begin?

MR. STRAUS: Yes, sir, I do.

CHAIRMAN OMAS: Mr. Straus?

MR. STRAUS: Yesterday during cross-examination of both Mr. Gordon -- I guess it was just Mr. Gordon, there were two documents that I probably should have put into the record, but failed to do so. One I thought was entered, and it wasn't.

I would like to try to get them in this morning as cross-examination exhibits. I've checked with counsel for Complainants, and at this moment they have no objection.

The first document was actually attached to an interrogatory request to Dr. Gordon, and we neglected to reattach it when we designated the

1 answer. It was a list of American Business Media
2 publications. He was asked some questions both in
3 written cross and in oral cross about whether he had
4 looked at them and whether they had websites. You may
5 recall that.

6 In order to get this document into the
7 record, or at least into the transcript, so people
8 would know what we're talking about, I've marked it as
9 ABM/TW-XE-1.

10 (The document referred to was
11 marked for identification as
12 Exhibit No. ABM/TW-XE-1.)

13 MR. STRAUS: With your permission, I will
14 hand two copies to the reporter. I have copies for
15 the Commissioners if they really care to have one, but
16 it will be in the transcript if you allow it.

17 CHAIRMAN OMAS: Without objection. So
18 ordered.

19 (The document referred to,
20 previously identified as
21 Exhibit No. ABM/TW-XE-1, was
22 received in evidence.)

23 //

24 //

25 //

Attachment to First Interrogatories and
Request for Production of Documents
of American Business Media
to Time Warner, Inc., et. al Witness Gordon

Application Development Trends	Motor Age
CertCities.com	Official Board Markets
E-Gov Institute	Ophthalmology Times
ENT	Patient Care
Federal Computer Week	Paperboard Packaging
Government CIO Summit (conference)	Pest Control
IT Compliance Institute	PDR Monthly Prescribing Guide
MCP TechMentor Conferences	Pharmaceutical Executive
Microsoft Certified Professional Magazine	Pharmaceutical Representative
Office Technology	Pharmaceutical Technology North America
Recharger Magazine	PharmaGenomics
Recharger World Expo (trade show)	Pit & Quarry
Syllabus	Post
TCPmag.com	Premier Hotels & Resorts
The Data Warehousing Institute	Premier Romance
Sound & Vibration	Premier Spas
Aftermarket Business	Response
American Salon	RN CareerSearch
American Spa	RN Magazine
America's Network	RSI-Roofing/Siding/Insulation
Applied Clinical Trials	Sensors
Automotive Body Repair News	Spectroscopy
BioPharm International	Travel Agent
CADalyst	Urology Times
Contemporary OB/GYN	Veterinary Economics
Contemporary OB/GYN	Veterinary Medicine
Contemporary Pediatrics	Video Store Magazine
Contemporary Urology	Affordable Housing Finance magazine
Cosmetic Surgery Times	Apartment Finance Today magazine
Dealernews	Journal of Tax Credit Investing
Dental Lab Products	Cosmetics & Toiletries
Dental Practice Report	Global Cosmetic Industry
Dental Products Report	Journal of Essential Oil Research
Dermatology Times	Perfumer & Flavorist
Drug Topics	Skin Inc.
DVM Newsmagazine	Am Law Tech
Formulary	American Lawyer, The
Frontline Solutions	Connecticut Law Tribune
Galileo's World	Corporate Counsel
Geospatial Solutions	Daily Business Reviews
Geriatrics	Delaware Law Weekly
Golfdom	D&O Advisor
GPS World	Florida Lawyer
Hotel & Motel Management	Focus Europe
HT - Healthcare Traveler	Fulton County Daily Report
Journal of the American Academy of Physician Assistants	IP Law & Business
(JAAPA)	L Magazine
Journal of GXP Compliance	Law Firm, Inc.
Journal of Validation Technology	Law Technology News
Landscape Design/Build	Legal Times
Landscape Management	Minority Law Journal, The
LC GC North America	New Jersey Law Journal
Learning and Training Innovations	New York Law Journal
Legal Gas	Pennsylvania Law Weekly
Managed Healthcare Executive	Small Firm Business
Medical Economics	Texas Lawyer
Modern Health for Women	The Boston Law Tribune
	The Legal Intelligencer

The National Law Journal	Greenhouse Management & Production
The Recorder	Nursery Management & Production
Western Massachusetts Law Tribune	Accessories
Cashio Executive	Modern Brewery Age
Journal	Modern Brewery Age/Blue Book
	Modern Brewery Age/Tabloid Edition
	MR
Indian Gaming Business	Compliance Engineering Magazine
International Gaming & Wagering Business	Cosmetic/Personal Care Packaging
Lottery Business	European Medical Device Manufacturer
National Gaming Summary	Injection Molding Magazine
Presenting Communications	IVD Technology
Slot Manager	Medical Device & Diagnostic Industry
BodyShop Business	Medical Device Register
Brake & Front End	Medical Electronics Manufacturing
Counterman	Medical Product Manufacturing News
Engine Builder	MICRO Magazine
ImportCar	Modern Plastics
NASCAR Performance	MX: Business Strategies for Medical Technology
Tire Review	Executives
Tomorrow's Technician	Nutritional Outlook
Underhood Service	Pharmaceutical & Medical Packaging News
Green Profit	Plastics Machinery & Auxiliaries
Grower Talks	Abstracts in Hematology & Oncology
Beverage Dynamics	AIDS Reader
Cheers	Bank Systems & Technology
Stateways	BioMechanics Magazine
Marine Marketing	C/C++ User's Journal
Textile World	CADENCE
Textile World Blue Book	Call Center Magazine
Bloomberg Markets	Communication Systems Design-CSD
Bloomberg Wealth Manager	Communications Convergence
Rental News	Consultant
Trim & Restyling News	Consultant for Pediatricians
Automotive Fleet	CRN
BusCon (trade show)	DB2 Magazine
Business Driver	Diagnostic Imaging
Business Fleet	Diagnostic Imaging SCAN
Car Rental Show	Dr. Dobb's Journal
Conference of Automotive Remarketing	Drug Benefit Trends
F&I Management & Technology	DV (Digital Video) Magazine
Fleet Association Directory	EE Times
Fleet Expo	Electronics Supply & Manufacturing
Fleet Financials	Embedded Computing Solutions
LCT Leadership Summit (conference)	Embedded Systems Programming
Limousine & Chauffeured Transportation	Game Developer
Limousine & Chauffeured Transportation Show	Geriatric Times
Metro	Healthcare Enterprise
Mobile Electronics	Infections in Medicine
Modern Tire Dealer	Infections in Urology
Nails	InformationWeek
Police	Insurance & Technology
School Bus Fleet	Intelligent Enterprise
Security Sales & Integration	Journal of Critical Illness
Trexpo (East & West) (trade shows)	Journal of Musculoskeletal Medicine
Truck & SUV Performance	Journal of Respiratory Diseases
Vehicle Remarketing	Manufacturing Solutions
Professional Jeweler	MSDN Magazine
Contact Lens Spectrum	Network Computing
Healthcare Business	Network Magazine
Ophthalmology Management	Oncology
Cosmetic Management	Optimize
Garden Center Merchandising & Management	Psychiatric Times
Garden Center Products & Supplies	

Software Development	CSP Daily News
Sys Admin	Conformity
Technology & Learning	Appliance
Transform Magazine	Corporate Dealmaker
Business	Deal, The
Street & Technology	Display Devices
Windows Developer Network	Electronics Buyers' Guide
Air Cargo World	Journal of the Electronics Industry
Canadian Sailings	Office Equipment & Products
Directory of US Exporters	Alaska Fisherman's Journal
Directory of US Importers	Kosher Today
Florida Shipper, The	National Fisherman
Forwarder's List of Attorneys	Natural Products
Gulf Shipper	onlinemariner.com
Journal of Commerce, The	Organic Products
Musical America International Directory of Performing Arts	SeaFood Business
Official Export Guide	SeaFood Handbook
Official Railway Equipment Register	WorkBoat
Official Railway Guide	Ag Lender
Pacific Shipper	Ag Retailer
Pacific Shipper's Transportation Services Directory (annual)	Agri Marketing
Pocket List of Railroad Officials, The	Crop Decisions
Shipping Digest	American Painting Contractor
Traffic World	Compliance Magazine
Transportation Telephone Ticker	FacilityCare
US Custom House Guide	Flooring
Warehouse Distribution Directory	Human Capital
Commercial Fisheries News	Lifting & Transportation International
Fish Farming News	Motion Control
Sea Technology	Robotics World
Manufacturer, The	Sales & Marketing Strategies and News
ment Catalog	Association Meeting & Event Planners
Journal	Corporate Gift Buyers
Milling Journal	Corporate Meeting & Event Planners
Seed Today	Exhibit & Trade Show Display Buyers
Ad Age's Creativity	Gift, Housewares & Home Textile Buyers
Advertising Age	Hospital Phone Book
American Coin-Op	Insurance Phone Book
American Drycleaner	Mass Merchandise & Off-Price Apparel Buyers
American Laundry News	Medical Meeting Planners
Automobilwoche	Men's & Boys' Wear Buyers
Automotive News	Premium, Incentive & Travel Buyers
AutoWeek	RN & WPL Encyclopedia
BtoB	Safety Incentive Buyers
BtoB Media Business	Sporting Goods & Activewear Buyers
Business Insurance	Women's & Children's Wear Buyers
Crain's Chicago Business	Contemporary Surgery
Crain's Cleveland Business	Current Psychiatry
Crain's Detroit Business	Journal of Family Practice
Crain's New York Business	Mayo Clinic Proceedings
Investment News	OBG Management
Modern Healthcare	Commercial Christmas Decor
Modern Physician	Consumer Goods Technology
Pensions & Investments	Greetings etc.
Plastics News	Hospitality Technology
RCR Wireless News	Kiosk Business
Rubber & Plastics News	Retail Info Systems News
Television Week	Selling Christmas Decorations
Tire Business	Selling Halloween
'e News	Vertical Systems Reseller
xforce	Archery Business
Beverage Spectrum Magazine	Boating Industry
CSP (Convenience Store/Petroleum) Magazine	PowerSports Business

American Heart Journal	Surgery
American Journal of Cardiology	Surgical Neurology
American Journal of Gastroenterology	Survey of Ophthalmology
American Journal of Hypertension	Transplantation Proceedings
American Journal of Medicine	Ultrasound in Medicine & Biology
American Journal of Obstetrics and Gynecology	Urology
American Journal of Ophthalmology	Wildland Firefighter
American Journal of Preventive Medicine	Homes & Land Magazine
American Journal of Surgery	DNR
Annals of Emergency Medicine	Executive Technology
Annals of Thoracic Surgery	Footwear News
Cancer Genetics and Cytogenetics	HFN (Home Furnishings News)
Clinical Biochemistry	InFurniture
Clinical Psychiatry News	Supermarket News
Controlled Clinical Trials	Beef Today
Cornell Hotel & Restaurant Administration Quarterly	Dairy Today
Ecological Complexity	Farm Journal
Experimental Hematology	Top Producer
Family Practice News	Website that provides business information
Fertility & Sterility	Front Range Business
FireRescue Magazine	GCN Internet Seminar Series
Free Radical Biology & Medicine	Internet Publishing Insights Newsletter
Gastroenterology	Commercial Dealer
Homeland First Response	Construction & Demolition Recycling
Human Pathology	Golf Course News
Internal Medicine News	Interior Business
International Journal of Radiation Oncology Biology Physics	Irrigation Business & Technology
JEMS (Journal of Emergency Medical Services)	Lawn & Landscape
Journal of Midwifery and Women's Health	QA (Quality Assurance & Food Safety)
Journal of Adolescent Health	Pest Control Technology (PCT)
Journal of Allergy & Immunology	Recycling Today
Journal of the American Academy of Dermatology	Snow Business
Journal of Cataract and Refractive Surgery	PCT Commercial Pest Management Summit
Journal of Clinical Anesthesia	Lawn & Landscape Weed & Insect Management Summit
Journal of Diabetes and its Complications	Recycling Today Paper Recycling Conference & Trade Show
Journal of Emergency Medicine	Foodservice Equipment Reports
Journal of Gastrointestinal Surgery	myBusiness
Journal of Heart and Lung Transplantation	Road King
Journal of Pain and Symptom Management	Aquatics International
Journal of Pediatrics	Big Builder
Journal of the American College of Cardiology	Builder
Journal of the American College of Surgeons	Building Products
Journal of the American Society for Mass Spectrometry	Concrete & Masonry Construction Products
Journal of the Society of Gynecologic Investigation	Concrete Construction
Lancet, The	Concrete Producer, The
Life Sciences	Custom Home
Magnetic Resonance Imaging	Custom House Outdoors
Medical Dosimetry	Journal of Light Construction, The
Materials Characterization	Masonry Construction
Molecular Imaging & Biology	Multifamily Executive
Neurotoxicology & Teratology	Pool & Spa News
Nutrition Research	ProSales
Nutrition	Public Works
Ob Gyn News	Remodeling
Ophthalmology	Replacement Contractor
Otolaryngology- Head & Neck Surgery	Residential Architect
Pain	Tools of the Trade
Pediatric Neurology	Wired House, The
Pediatric News	Diversion
Podiatry News	EEM/Electronic Engineers Master
Rheumatology News	Electronic Products
Seminar in Oncology	
Skin & Allergy News	

Floor Covering Weekly
 Motor
 National Underwriter – Property/Casualty Edition
 National Underwriter – Life/Health Edition

Business Decisions
 Florida Underwriter
 High Plains Journal
 Hoards Dairyman
 Home Decor Buyer
 P-O-P Design
 P-O-P Times
 Bio-IT World
 CIO
 Computerworld
 CSO
 Game Pro
 Health IT World
 Health IT World News
 InfoWorld
 Macworld
 Network World
 PC World
 Computer Society - Computer
 IEEE Spectrum
 Microwave
 Power & Energy
 Signal Processing
 American Acreage
 Equipment Connection
 Farm & Ranch Today
 Retail Marketer
 Gas Utility Roads
 Gas Utility Manager
 www.betterroads.com
 www.gasindustries.com
 20/20
 BMJ USA
 Clinician News
 Clinician Reviews
 Frames Quarterly
 International Journal of MS Care
 Neurology Reviews
 Pulmonary Reviews
 Respiratory Reviews
 Review of Ophthalmology
 Review of Optometry
 U.S. Pharmacist
 Vision Monday
 Women's Health in Primary Care
 QSR
 Successful Dealer
 Truck Parts & Service
 Photonics Spectra
 Apparel Merchandising
 CEQ
 Chain Store Age
 Drug Store News
 Retailing Today
 Channel News
 Restaurant News
 Agri-View
 Farm & Ranch Guide

Midwest Messenger
 Minnesota Farm Guide
 The Prairie Star
 TriState Neighbor
 Country Folks
 Country Folks Grower
 Hard Hat News
 North American Quarry News
 Waste Handling Equipment News
 Field Force Automation
 Fitness Management
 Fitness Management YMCA Edition
 Fitness OnSite
 Mobility Management
 AA News
 Academic Medicine
 Academic Physician & Scientist
 Addiction Medicine
 Advances in Anatomic Pathology
 AIDS Alzheimer Disease & Related Research
 American Journal of Clinical Oncology
 American Journal of Dermatopathology
 American Journal of Forensic Medicine & Pathology
 American Journal of Surgical Pathology
 Annals of Surgery
 Applied Immunohistochemistry
 American Journal of Therapeutics
 Annals of Plastic Surgery
 Anti-Cancer Drugs
 ASA/ASPN Refresher Courses
 ASA Meeting Dailies
 Behavioral Pharmacology
 Blood Coagulation & Fibrinolysis
 Blood Pressure Monitoring
 Cardiology in Review
 Caring for the Aged
 Caring Daily
 Clinical Journal of Sport Medicine
 Clinical Dysmorphology
 Clinical Journal of Pain
 Clinical Neuromuscular Disease
 Clinical Neuropharmacology
 Clinical Nuclear Medicine
 Clinical Obstetrics & Gynecology
 Clinical Pulmonary Medicine
 Clinical Trials Reporter
 Cornea
 Current Opinion in Allergy and Clinical Immunology
 Current Opinion in Clinical Nutrition & Metabolic Care
 Current Opinion in Gastroenterology
 Current Opinion in Hematology
 Current Opinion in Infectious Diseases
 Current Opinion in Lipidology
 Current Opinion in Nephrology & Hypertension
 Current Opinion in Neurology
 Current Opinion in OB & GYN
 Current Opinion in Oncology
 Current Opinion in Ophthalmology
 Current Opinion in Organ Transplantation
 Current Opinion in Orthopaedics
 Current Opinion in Otolaryngology & Head Neck Surgery
 Current Opinion in Pediatrics
 Current Opinion in Psychiatry

Current Opinion in Pulmonary Medicine
 Current Opinion in Rheumatology
 Current Opinion in Urology
 Diagnostic Molecular Pathology
 Emergency Medicine
 Emergency Medicine News
 Endocrinologist, The
 Epidemiology
 European Journal of Cancer Prevention
 European Journal of Gastro Hepatology
 Evidence Based Eye Care
 Evidence Based Gastroenterology
 Glaucoma
 Hearing Journal
 Hearing Journal Dailies
 Heart Disease Journal of Cardiac Medicine
 Infectious Diseases in Clinical Practice
 International Aids Clinic
 International Clinical Psychopharmacology
 International Journal of Rehabilitation Research
 International Ophthalmology Clinics
 Investigative Radiology
 Journal of Aids
 Journal of Bronchology
 Journal of Cardiovascular Pharmacology
 Journal of Cardiovascular Risk
 Journal of Clinical Gastroenterology
 Journal of Clinical Psychopharmacology
 Journal of Clinical Rheumatology
 Journal of Computer Assisted Tomography
 Journal of Craniofacial Surgery
 Journal of Critical Pathways in Cardiology
 Journal of ECT, The
 Journal of Hypertension
 Journal of Immunotherapy
 Journal of Medical Microbiology
 Journal of Nerve & Mental Disease
 Journal of Neurosurgical Anesthesiology
 Journal of Orthopaedic Trauma
 Journal of Pediatric Gastroenterology
 Journal of Pediatric Orthopaedics Part B
 Journal of Pelvic Surgery
 Journal of Psychiatric Practice
 Journal of Thoracic Imaging
 Journal of Women's Imaging
 Medical Care
 Medicine
 Melanoma Research
 Nuclear Medicine Communications
 Neurologist, The
 Neurology Meeting Reporters
 Neuropsychiatry
 Neurology Today
 NeuroReport
 Neurosurgery Quarterly
 Obstetric & Gynecological Survey
 Oncology Times
 Pancreas
 Pathology Case Reviews
 Pediatric Case Reviews
 Pediatric Emergency Care
 Pediatric Hematology Oncology
 Pediatric Infectious Disease Journal
 Pharmacogenetics
 Point of Care Testing
 Primary Care Case Reviews
 Problems in General Surgery
 Psychiatric Genetics
 Radiologist, The
 Retina
 Reviews in Medical Microbiology
 Spinal Disorders
 Spine
 Sports Medicine & Arthroscopy Review
 Surgical Laparoscopy & Endoscopy
 Survey of Anesthesiology
 Techniques in Foot and Ankle Surgery
 Techniques in Hand & Upper Extension Surgery
 Techniques in Knee Surgery
 Techniques in Neurosurgery
 Techniques in Ophthalmology
 Techniques in Orthopaedics
 Techniques in Shoulder and Elbow Surgery
 Therapeutic Drug Monitoring
 Topics in MRI
 Ultrasound Quarterly
 Custom publishing
 Pizza Today
 Pet Business
 Meat Marketing & Technology
 Poultry
 Plate
 Candy Buyers' Directory
 Manufacturing Confectioner
 Aerospace Daily & Defense Report
 Architectural Record
 Aviation Daily
 Aviation Week & Space Technology
 Business & Commercial Aviation
 BusinessWeek
 BusinessWeek Online
 California Construction Link
 Colorado Construction
 Construction News West
 Construction.com
 Daily Journal, The
 Daily Pacific Builder
 Design-Build
 Dodge Bulletins
 Dodge Construction News Green Sheet
 ENR
 Dodge Daily & Weekly Bulletins
 Healthcare Informatics
 Homeland Security & Defense
 Intermountain Contractor
 Louisiana Contractor
 Mid-Atlantic Construction
 Midwest Construction
 NetDefense
 New York Construction News
 Northwest Construction
 Overhaul & Maintenance
 Physician & Sportsmedicine, The
 Postgraduate Medicine
 Power
 Show News

Southeast Construction	Corporate Choices
Southwest Contractor	Heavy Duty Trucking
Texas Construction	Newport's RoadStar
Utilities IT	Truck Sales & Leasing
Aviation Directory & Aerospace Database	TruckStop Travel Plaza
Board for media industries professionals	BookTech the Magazine
Certification Magazine	Business Forms, Labels & Systems
Custom publishing	Catalog Success
American Fruit Grower	CustomRetailer
American Vegetable Grower	Dealerscope
CI World Report	E-Gear
Cotton Grower	Graphic Design Business
CropLife Iron	In-Plant Graphics
Crop Protection Handbook	Inside Direct Mail
CropLife	Package Printing
e-Handbook	Printing Impressions
Electronic Pesticide Dictionary 2003	Printing Impressions Top Management News
CD Only	PrintMedia
Fast Finder	Promotional Marketing
Fertilizer Technology and Application	Target Marketing
Florida Grower	Business Travel Planner
Food and Feed Crops of the United States	Hotel & Travel Index
Greenhouse Grower	Intelliguide by Weissman
Insect and Disease Control Guide	Meetings & Conventions
Modern Materials Handling	Official Cruise Guide
Ornamental Outlook	Official Hotel Guide International
PrecisionAg Buyer's Guide	Official Meeting Facilities Guide
Today's Garden Center	Star Service
Vegetable Insect Management	Travel Weekly
Weed Control Manual	TravelAge West
Western Fruit Grower	Base Station/Earth Station
an.com	Microwave Product Digest
Agates Manager	Advanced Packaging
Bridge Builder	Cabling Installation & Maintenance
bridgebuildermagazine.com	CleanRooms
CE News	Computer Graphics World
cenews.com	Connector Specifier
Crane Works	Control Solutions
gostructural.com	Dental Economics
Lift Equipment	Dental Equipment & Materials
liftlink.com	Electric Light & Power
Structural Engineer	Electronic Publishing
AMM	FireEMS
MARHedge	Fire Engineering
MAR Reports	Industrial Laser Solutions
MAR Sophisticated Strategies	Industrial WaterWorld
Metal Finishing	InfoStor
Metal Finishing Guidebook Dir.	Laser Focus World
Metal Finishing Organic Guidebook Dir.	Laser Focus World's Buyer's Guide
Annals of Long-Term Care	Lightwave
Clinical Geriatrics	Microlithography World
Family Health Matters	Military & Aerospace Electronics
Journal of Gender-Specific Medicine, The	Ocean Oil Weekly Report
Journal of Home Care Medicine, The	Offshore Magazine
Nursing Home Economics	Oil & Gas Financial Journal
Residents' Forum (bi-monthly newsletter)	Oil & Gas Journal
Specialty Food Magazine	Oil, Gas & Petrochem Equipment
Cleanfax	Optoelectronics Manufacturing
Cleaning & Maintenance Management	Portable Design
Expo (trade show)	Proofs
Professional Carwashing & Detailing	RDH
Water Technology	Surface Mount Technology (SMT)
Black's Guide	Solid State Technology

Utility Automation	Art Miami Show
Vision Systems Design	Contractor Tools & Supplies
Water News	Décor
WaterWorld	Décor Expo
Water & Dentist Journal	Framing Business News
Water & Transport World	Life Insurance Selling
ATW Daily News	MortgageOriginator
ATW's Equipment & Technology	MRO Today
ATWOnline	Productivity
American Machinist	Progressive Distributor
Baking Management	FOSE
BPM Strategies (conference)	FOSE.com
Business Finance	GCN.com
Business Performance Management	Government Computer News
Connected Home Media	Washington Technology
Contracting Business	Washingtontechnology.com
Contractor	Boat & Motor Dealer
Convenience Store Decisions	Journal of Analytical Toxicology
Cutting Technology	Journal of Chromatographic Science
Delicious Living	Marina Dock Age
EE Product News	Photo Techniques
Electronic Design	ABOS Maine Blue Book
e-Pro Magazine	Access Control & Security Systems
Expansion Management	Aircraft Blue Book Digest
Food Management	American City & County
Forging	American Demographics
Foundry Management & Technology	American Printer
Functional Foods & Nutraceuticals	American School & University
Gases & Welding Distributor	American Trucker
Government PROcurement	Apply
Government Product News	Association Meetings
Government and Response	Beef
Government Engineering	Broadcast Engineering US/Canada & World Editions
HVACR Distribution Business	Catalog Age
Hydraulics & Pneumatics	Circulation Management
IndustryWeek	Club Industry
iSeries NEWS	Concrete Products
LH - Lodging Hospitality	Corn and Soybean Digest, The
Logistics Today	Corporate Meetings & Incentives
Machine Design	Delta Farm Press
Material Handling Management	Direct
Medical Design News	Drivers
Metal Producing & Processing	EC&M Books
Microwaves & RF	Electrical Construction Maintenance
Modern Baking	Electrical Marketing
Motion System Design	Electrical Wholesaling
Motion System Field Guide	Electronic Musician
Motion Systems Integrator	Electronics Source Book
Natural Foods Merchandiser	Entertainment Design
Natural Grocery Buyer	EquipmentWatch
New Equipment Digest	Farm Industry News
Nutrition Business Journal	FEPN (Fire/EMS Product News)
Occupational Hazards	Fire Chief
Restaurant Hospitality	Fleet Owner
Service Management	Folio
SQL Server Magazine	Government Security
Used Equipment Directory	Grounds Maintenance
Welding Design & Fabrication	Hay & Forage Grower
Windows & .NET Magazine	HomeCare
Windows & .NET Systems Design	Insurance Conference Planner
Windows & .NET American Agent & Broker	LD1- Entertainment Technology Show
Art Business News	Lighting Dimensions
ArtExpo Show	Medical Meetings

Millimeter
 Mine & Quarry Trader
 Mix
 Mobile Radio Technology
 Motor Bulk Transporter
 Motor Uniforms
 National Hog Farmer
 National Real Estate Investor
 NCDM
 Operations & Fulfillment
 Paper, Film & Foil Converter
 Power Electronics Technology
 Primedia Price Digests
 Profitable Embroiderer
 Promo
 PowerSystems World
 Radio Magazine
 Refrigerated Transporter
 Registered Rep.
 Religious Conference Manager
 Remix
 RER (Rental Equipment Register)
 Retail Traffic, formerly Shopping Center World
 RF Design
 Rock Products
 S&VC/Sound & Video Contractor
 Southeast Farm Press
 Southwest Farm Press
 Special Events Magazine
 SRO (Staging Rental Operations)
 Stitches Magazine
 World Expo
 Tomy
 Trailer/Body Builders
 Transmission & Distribution World
 Truck Blue Book & Seminar
 Trusts & Estates
 Video Systems
 Ward's AutoWorld
 Ward'sAuto.com
 Ward's Automotive Reports
 Ward's Dealer Business
 Ward's Information Products
 Waste Age
 Wearables Business
 Western Farm Press
 Wildfire
 Wireless Review
 District Administration
 University Business Magazine
 Progressive Farmer
 Chemical Processing
 Control
 Control Design
 Food Creations
 Food Processing
 Industrial Networking
 Pharmaceutical Manufacturing
 Plant Services
 Pressing
 Process Foods
 American Journal of Orthopedics
 CMEPlanner.com

Cosmetic Dermatology
 Cutis
 Emergency Medicine
 Federal Practitioner
 Female Patient, The
 Physicians Travel & Meeting Guide
 Commercial Carrier Journal
 Equipment World
 etrucker.com
 Great American Trucking Show, The
 Modern Woodworking
 Modernwoodworking.com
 Motor Media
 Overdrive Magazine
 Owner Operator/Company Driver Magazine
 Pumps & Systems Magazine
 Top Bid
 Truckers News Magazine
 Trucking Opportunity Directory
 TruckStops Express
 Event Marketer
 m10Report
 411 Publishing
 AF Lewis
 Automotive & Aerospace Test Reports
 Bioscience Technology
 Broadband Week
 Broadcasting & Cable
 Buildcore Suite of Products (Reed Construction Data)
 Building Design & Construction
 California Builder & Engineer – (Reed Construction Data)
 CanaData Construction Forecasting – (Reed Construction Data)
 CanaData Construction Starts (Reed Construction Data)
 Casual Living
 CED
 Chain Leader
 Chemical Equipment
 Clark Reports (Reed Construction Data)
 Construction (Reed Construction Data)
 Construction Bulletin (Reed Construction Data)
 Construction Digest (Reed Construction Data)
 Construction Equipment
 Construction News (Reed Construction Data)
 Constructioneer (Reed Construction Data)
 Consulting-Specifying Engineer
 Control Engineering
 Converting Magazine
 Corporate Library Update
 Creative Handbook
 Criticas Magazine
 CSI's MANU-SPEC (Reed Construction Data)
 CSI's SPEC-DATA (Reed Construction Data)
 Daily Commercial News (Reed Construction Data)
 Daily Variety
 Design News
 Dixie Contractor (Reed Construction Data)
 Drug Discovery & Development
 DVD Exclusive
 ECN
 EDN
 EITD (Electronic Industry Telephone Directory)
 Electronic Business

Electronic News
 Entertainment
 Facets
 Fiberoptic Product News
 source (Reed Construction Data)
 source CAD (Reed Construction Data)
 First Source Suite of Products (Reed Construction Data)
 FirstsourceONL.com (Reed Construction Data)
 Food Engineering & Ingredients
 Food Manufacturing
 Foodservice Equipment & Supplies
 Furniture/Today
 Garden Décor
 Genomics & Proteomics
 Gifts & Decorative Accessories
 Graphic Arts Blue Books
 Graphic Arts Monthly
 Green Sheet (Reed Construction Data)
 Greensheet Logger (Reed Construction Data)
 Health Market Data (Reed Construction Data)
 Heavy Construction
 Home Accents Today
 Home Textiles Today
 Hospitality Profiles (Reed Construction Data)
 HOTELS
 HOTELS' Investment Outlook
 HousingZone.com
 Industrial Distribution
 Industrial Maintenance & Plant Operation
 Industrial Product Bulletin
 In Stat/MDR
 mentation & Automation News
 or Design
 Israel Diamonds
 JCK (Jewelers' Circular Keystone)
 Journal of Commerce (Reed Construction Data)
 KeyPRODUCTS (Reed Construction Data)
 Kids Today
 Laboratory Equipment
 Leather Today
 Library Hotline
 Library Journal
 Logistics Management
 Luxury Home Builder
 Luxury International
 Manufacturer Catalogs (Reed Construction Data)
 Market Link (Reed Construction Data)
 MarketCast
 Material Handling Product News
 Medical Design Technology
 Michigan Contractor and Builder (Reed Construction Data)
 Microprocessor Report
 Midwest Contractor (Reed Construction Data)
 Modern Materials Handling
 MRO
 MSI
 Multichannel News
 New England Construction (Reed Construction Data)
 New York Diamonds
 ic Builder and Engineer (Reed Construction Data)
 aging Digest
 Pharmaceutical Processing
 Plan Rooms (Reed Construction Data)

Plans Direct CD-ROM (Reed Construction Data)
 Plans Direct Print (Reed Construction Data)
 Plant Engineering
 Plants Sites & Parks
 Playthings
 Powder/Bulk Solids
 Printmarketplace.com
 Product Design and Development
 Production Technology News
 Professional Builder
 Professional Remodeler
 ProFile: The Architects Sourcebook (Reed Construction Data)
 Publishers Weekly
 Publishing
 Purchasing
 R&D Research & Development
 Reed Bulletin (Reed Construction Data)
 Reed Bulletin (Canada) (Reed Construction Data)
 Reed Connect (Reed Construction Data)
 Reed Construction Data
 Reed Press
 ReedBulletin.com (Reed Construction Data)
 Residential Construction
 Restaurants and Institutions
 Restaurants and Institutions Marketplace
 Rocky Mountain Construction (Reed Construction Data)
 RSMeans Cost Books (Reed Construction Data)
 RSMeans Insurance Services (Reed Construction Data)
 RSMeans Reference Books (Reed Construction Data)
 RSMeans Research Services (Reed Construction Data)
 RSMeans Seminars/Training (Reed Construction Data)
 School Library Journal
 Scientific Computing & Instrumentation
 Semiconductor International
 Semiconductor Packaging
 SoHo Today
 Supply Chain Management Review
 Surgical Products
 Telecom
 Test & Measurement World
 Texas Contractor (Reed Construction Data)
 TrendWatch Graphic Arts
 Trendz
 TV
 TWICE (This Week in Consumer Electronics)
 Variety
 Variety.com
 Video Business
 Western Builder (Reed Construction Data)
 Wireless Design & Development
 Wireless Week
 WorkHorse Truck & Equipment (Reed Construction Data)
 World Leaders in Print
 Instructor
 Instructor New Teacher
 Scholastic Adminstrator
 Scholastic Coach and Athletic Director
 Scholastic Early Childhood Today
 Scholastic Technology Guide
 ABA Banking Journal
 Marine Log
 Marine Log & Maritime Services Directory
 Railway Age

Railway Track and Structures
 Sign Builder Illustrated
 Sign Builder Illustrated Buyers Guide
 Sign Magazine
 Production & Marketing Newsletter
 Snacking & Snack
 BakingBusiness.com
 Baking Buyer
 MEAT&POULTRY
 MEATPOULTRY.COM
 MarketFAX
 Milling & Baking News
 PANamericano.com
 World-Grain.com
 Business Publication Advertising Source
 Circulation 2004
 Community Publication Advertising Source
 Consumer Magazine Advertising Source
 Direct Marketing List Source
 Hispanic Media and Market Source
 Interactive Advertising Source
 Newspaper Advertising Source
 Out-of-Home Advertising Source
 Print Media Production Source
 Radio Advertising Source
 SRDS International Media Guides
 SRDS Media Planning System
 Technology Media Source
 The Lifestyle Market Analyst
 TV & Cable Source
 The Picture, The
 In Printing
 Origins of the Times
 VM + SD
 Buildings Interiors
 Buildings
 Buildings.com
 Meetings East
 Meetings South
 Meetings West
 MeetingsFocus.com
 National Referral Roster
 The Meetings Guide to the East
 The Meetings Guide to the South
 The Meetings Guide to the West
 Successful Farming
 Packaging World
 Industrial Equipment News
 Managing Automation
 Accounting Technology
 Accounting Technology First Look
 Accounting Today
 Accounting Today First Look
 American Banker
 American Banker Online
 Annuity Market News
 Asset Securitization Directory
 Asset Securitization Report
 M&Debit News
 Bank Investment Consultant
 Bank Loan Report
 Bank Technology News Bulletin
 BenefitNews Adviser

Benefit News Connect
 BenefitNews.com
 Bond Buyer, The
 Broker
 Broker Universe
 CardForum
 Card Industry Directory
 CardLine
 Card Source One
 Card Technology
 CardUpdate
 Career Adviser
 Clearing Quarterly & Directory
 Collections & Credit Risk
 Collections Source 1
 College Adviser
 Conference Insights
 Consulting Insights
 Corporate Syndicate Personnel Directory
 Credit Card Management
 Credit & Collections World Online
 Credit Union Journal, The
 Credit Union Journal Daily Briefing, The
 dataWarehouse.com
 Directory of M&A Intermediaries
 DM Direct Newsletter
 DM Direct Special Report
 DM Review
 DMReview.com
 EBN Benefits SourceBook
 Employee Benefit News
 Financial Planning
 Financial Professional's Diary & Guide
 HDMA/Mortgage Originator Database
 Health Data Management Weekly
 High Yield Report
 Home Equity Wire
 ID Newswire
 Insurance Networking News
 Investment Dealers' Digest
 Investment Management Weekly
 Mergers & Acquisitions, The Dealmaker's Journal
 Mergers & Acquisitions Report
 Mergers & Acquisitions Database
 Money Management Executive
 Mortgage Broker Database
 Mortgage Servicing News
 Mortgage Technology
 Mortgage-Custom Data Searches
 Mutual Fund Service Guide, The
 National Mortgage News
 National Mortgage News Daily Briefing
 On Wall Street
 Origination News
 Planners Weekly
 Practical Accountant
 Practical Accountant First Look
 Private Placement Letter
 Quarterly Data Report
 Red Book, The
 Securities Industry News
 Securities Industry News Midweek News Update
 SMA Adviser

Takeover Stock Report
 Traders Magazine
 U. S. Banker
 U. S. Banker Weekly Bulletin
 V. A. Week
 Without Wire
 Building Operating Management
 Car & Locomotive Yearbook
 Cleanlink.com
 Contracting Profits
 Housekeeping Solutions
 Maintenance Solutions
 National Facility Management & Technology
 Progressive Railroading
 Progressiverailroading.com
 Sanitary Maintenance
 Track Yearbook
 Grocery Headquarters
 Modern Metals
 HME News Magazine
 HME Excellence Award Program
 Security Growth Conference
 Security Systems News Magazine
 SecurityXchange
 Accessory Merchandising
 Bovine Veterinarian
 Citrus & Vegetable Magazine
 Closets
 Cotton Farming Management
 Custom Woodworking Business
 Herd Management
 & Applicator
 Drivers Magazine
 Furniture Style
 Greenbook Crop Protection Reference Manual
 Greenbook Turf and Ornamental Protection Manual
 Greenbook MSDS Manual
 Grower, The
 Meat & Seafood Merchandising (Meats & Provisions)
 Modern Salon
 Packer, The (Produce)
 Peanut Grower, The
 Pork
 Process
 Produce Concepts (Produce)
 Produce Merchandising (Produce)
 Red Book Credit Services
 Renew
 Residential Lighting
 Rice Farming
 Salon Today
 Swine Practitioner
 Wood & Wood Products
 Adweek
 Airplay Monitor
 American Artist
 Amusement Business
 Apparel Magazine
 Architectural Lighting
 Architecture
 Back Stage
 Back Stage West
 Beverage Aisle

Beverage World
 Billboard
 Bookseller, The
 Brandweek
 Business Travel News
 Commercial Property News
 Contract
 Convenience Store News
 Display & Design Ideas
 Editor & Publisher
 EMB (Embroidery/Monogram Business Magazine)
 FoodService Director
 Gourmet Retailer, The
 Hollywood Reporter, The
 Hospitality Design
 ID Sales Pro
 Impressions
 Incentive
 Kirkus Reviews
 Kitchen & Bath Business
 Mediaweek
 Meeting News
 Multi-Housing News
 National Jeweler
 Photo District News
 Potentials
 Presentations
 Progressive Grocer
 Restaurant Business
 Retail Merchandiser
 Ross Reports/ Television & Film
 Sales & Marketing Management
 SGB(Sporting Goods Business)
 SHOOT
 Successful Meetings
 Training/Online Learning
 Watercolor
 Egg Industry
 Feed Management
 Meat Processing North American Edition
 Petfood Industry
 Watt Poultry USA
 Who's Who in the Egg and Poultry Industries
 Alexander Hamilton Awards & Conference
 Alternative Investor
 CompensationPro
 Fund of Funds Conference, New York
 Investment Advisor
 Investment Advisor Press
 Investment Advisor Wealth Advisor Summit
 Limited Partners Summit
 Private Equity Analyst
 Private Equity Analyst Conference, New York
 Private Equity Outlook, New York
 Treasury & Risk Management
 Venture Capital Analyst - Health Care Edition
 Venture Capital Analyst - Technology Edition
 VentureOne
 VentureOne Exchange
 VentureOne Summit
 Venture Reporter
 VentureSource
 Auto Laundry News

Interior Decorators' Handbook
LDB Interior Textiles
Private Label
Private Label Directory
C...tech
C...gency Planning & Management
Flow Control
MicroTec Magazine
1up.com
Baseline
Baslinemag.com
Business 4Site
ChannelZone (Web site)
CIO Insight
Cioinsight.com
Computer Gaming World
Custom Conference Group
Electronic Gaming Monthly
eSeminar
eWEEK
eweek.com
ExtremeTech.com
GameNow
Gaming Industry News

1 CHAIRMAN OMAS: Is there anything else?

2 (No response.)

3 CHAIRMAN OMAS: There being no additional
4 matters --

5 MR. STRAUS: Your Honor, I have one more, a
6 second exhibit.

7 During the cross-examination of Mr. Gordon
8 -- no. I'm sorry. This was Mr. Mitchell. I'll get
9 it straight. He was asked a lot of questions about
10 advertising rates, including reference to material
11 that was provided by the Complainants as a library
12 reference, which was the advertising rates of some of
13 the Complainants' publications.

14 I would like that library reference material
15 also to be included in the record as Exhibit
16 ABM/TW-XE-2.

17 (The document referred to was
18 marked for identification as
19 Exhibit No. ABM/TW-XE-2.)

20 CHAIRMAN OMAS: Without objection. So
21 ordered. It is granted.

22 (The document referred to,
23 previously identified as
24 Exhibit No. ABM/TW-XE-2, was
25 received in evidence.)

TIME U.S. Editions

TIME National

Rate Base: 4,000,000

The world's most influential, most authoritative and largest circulation newsmagazine. Available weekly.

UNIT	B&W	2- or 4-COLOR
Page	\$ 167,250	\$ 223,000
Cover 4	N/A	301,100
Cover 2 + Pg 1 Spread	N/A	479,450
2 Columns	142,200	189,600
1/2 Page Horizontal*	117,075	156,100
1/2 Page Horizontal Spread	234,150	312,200
1 Column	75,300	100,400
1/2 Column	50,175	66,900

*Subject to availability.

TIME Business

Rate Base: 1,800,000

TIME Business offers the largest U.S. all-business circulation and reaches only subscribers qualified individually by job title or qualified business households. All circulation verified by ABC. Provides in-depth reach of top, middle and technical management and professionals in all 50 states. Available 32 times in 2004.

UNIT	B&W	2- or 4-COLOR
Page	\$ 103,500	\$ 138,000
2 Columns	87,975	117,300
1/2 Page Horizontal*	72,450	96,600
1/2 Page Horizontal Spread	144,900	193,200
1 Column	46,575	62,100
1/2 Column	31,050	41,400

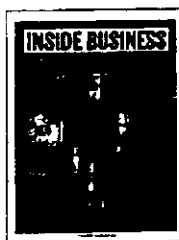
*Subject to availability.

Rates are based on subscription circulation only.

Inside Business

Rate Base: 1,800,000

TIME's Inside Business section delivers supplemental business editorial exclusively to TIME Business subscribers. It provides advertisers with adjacencies to relevant business edit written by TIME editors. Inside Business examines major business events — the latest ideas in technology, management and workplace trends, along with financial forecasts, and small-business success strategies. Available monthly. For rates, see TIME Business above.



Calendar & Closings: In front pocket.

TIME Global Business

Rate Base: 1,000,000

TIME Global Business is a self-contained magazine bound center-spread into TIME and is dedicated to showing U.S. companies of all sizes how to seize new opportunities in global business and e-commerce. TIME Global Business is delivered to a rate base of 1,000,000 subscribers with top management or technical job titles. Subscribers are qualified individually by job title or subscriber household. Provides advertisers with adjacencies to relevant business edit. Available monthly.

UNIT	B&W	2- or 4-COLOR
Page	\$ 78,750	\$ 105,000

TIME Top Management

Rate Base: 800,000

Nationwide circulation exclusively to CEOs, presidents, chairmen, other titled officers, owners, partners and department heads/managers/supervisors. Reaches only subscribers qualified individually by these job titles or subscriber households. Available 21 times in 2004.

UNIT	B&W	2- or 4-COLOR
Page	\$ 71,250	\$ 95,000
2 Columns	60,600	80,800
1/2 Page Horizontal*	49,875	66,500
1/2 Page Horizontal Spread	99,750	133,000
1 Column	32,100	42,800
1/2 Column	21,375	28,500

*Subject to availability.

Rates are based on subscription circulation only.

TIME Gold

Rate Base: 1,000,000

TIME Gold is a targeted edition with edit of interest to upscale, mature adults. Subscribers with someone in the household aged 50+ and with the highest incomes are selected to create this audience of affluent, maturing baby boomers (median age 55). Monthly features written by TIME editors uniquely for this edition include travel, personal finance, health, new careers and celebrity profiles. Available 12 times a year.

UNIT	B&W	2- or 4-COLOR
Page	\$ 54,000	\$ 72,000
2 Columns*	45,900	61,200
1/2 Page Horizontal*	37,800	50,400
1/2 Page Horizontal Spread*	75,600	100,800
1 Column*	24,300	32,400

*Subject to availability.

Rates are based on subscription circulation only.

Discount Schedule: See page 11. Bleed Charge: Add 15% to rates.

RECEIVED

2004 JUN 14 P 3:32

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

TIME U.S. Editions

TIME Women

Rate Base: 1,300,000

A female-targeted edition that delivers a circulation of 1.3 million subscribers. Available 12 times a year.

UNIT	B&W	2- OR 4-COLOR
Page	\$58,500	\$78,000

Connections

Rate Base: 1,300,000

This female-focused editorial appears in the pages of TIME Women and is written by TIME editors. Entitled "Connections," it addresses the interests of smart, affluent mothers and managers who are readers of TIME. Available six times a year. For rates, see TIME Women above.

TIME Luxury

Rate Base: 600,000

TIME Luxury is a targeted edition reaching TIME's most affluent and style-savvy readers — subscribers living in high-income households or ZIP codes, those likely to have an interest in fashion or those subscribing to *InStyle*. Available two times a year.

UNIT	B&W	2- OR 4-COLOR
Page	\$47,250	\$63,000

TIME Style & Design

Rate Base: 600,000

Issue Dates: Feb. 16, May 3 (U.S. only), Sept. 13 and Nov. 22 (U.S. only)

Four new issues from the editors of TIME will explore how the latest trends in design influence the way we dress and live. These oversized, glossy issues will be delivered with the regular magazine via polybag to the TIME Luxury rate base.



UNIT	B&W	2- OR 4-COLOR
Page	N/A	\$72,000*

*Regardless of bleed or coloration.

Discount Schedule: See page 11. Bleed Charge: Add 15% to rates.

TIME For Kids

Circulation: 4,000,000

The leading weekly magazine for kids produced by a major news organization, drawing from worldwide news bureaus and award-winning journalists and photographers. Marketed directly to kindergarten through sixth-grade teachers for classroom use. TIME For Kids has three editions: The Big Picture (grades K-1), News Scoop (grades 2-3) and World Report (grades 4-6). Regular issues do not accept traditional advertising; however, custom-sponsored programs are available.

For more information, contact Amy Dunkin at 212-522-6920 or amy_dunkin@timeinc.com.



Special Advertising Sections

Special sections allow advertisers to reach TIME's audience in a customized environment that supports and reinforces marketing strategy or promotion efforts. TIME's special advertising sections have won numerous awards and consistently deliver high readership scores.

Ad Section	Issue Date	On Sale	Ad Close	Edition
CARDIO HEALTH	Feb. 16	Feb. 9	Dec. 22	National
WIRELESS ENTERPRISE	Mar. 22	Mar. 15	Jan. 16	Business
DIABETES EPIDEMIC	Mar. 29 Nov. 1	Mar. 22 Oct. 25	Feb. 2 Sept. 7	National
NATIONAL PARKS	Apr. 19	Apr. 12	Feb. 23	National
HEALTH BRIEF	May 3 Oct. 4	Apr. 26 Sept. 27	Mar. 15 Aug. 16	National
SMALL BUSINESS	May 17	May 10	Mar. 15	Business
BUSINESS TRAVEL	June 7	May 31	Apr. 5	Business
FAMILY HEALTH	July 12	July 5	May 17	National
HEALTHY AGING	Sept. 13	Sept. 6	July 19	National
NADA	Nov. 8	Nov. 1	Sept. 13	National
LIFESTAGES/ FINANCIAL PLANNING	Nov. 22	Nov. 15	Sept. 20	Business

Issue dates subject to change.



Calendar & Closings: In front pocket.

TIME U.S. Editions

Geographic Editions

SPOT MARKET EDITIONS

TIME Spot Market Editions are defined to coincide geographically with existing DMAs as closely as circulation distribution will allow. The following are single-edition rates only. See page 10 for multi-edition rate computation.

SPOT MARKET: GROUP I

CITY	RATE BASE* (000)	PAGE B&W	PAGE 2- or 4-COLOR
Boston	135	\$ 16,958	\$ 22,611
Chicago	160	16,958	22,611
Detroit	100	16,958	22,611
Los Angeles	265	20,862	27,816
Miami	85	16,958	22,611
Minneapolis/St. Paul	73	16,958	22,611
New York	380	27,692	36,923
Philadelphia	152	16,958	22,611
San Francisco	165	16,958	22,611
Washington, D.C.	115	16,958	22,611

*Rate bases include newsstand circulation.

STATE EDITIONS (including D.C.)

The following are single-edition rates only.
Rates are based on subscription circulation only.

STATE	RATE BASE (000)	PAGE B&W	PAGE 2- or 4-COLOR
Alabama	42	\$ 16,958	\$ 22,611
Alaska	10	16,958	22,611
Arizona	65	16,958	22,611
Arkansas	27	16,958	22,611
California*	550	37,689	50,252
Colorado	65	16,958	22,611
Connecticut	75	16,958	22,611
Delaware	12	16,958	22,611
Washington, D.C.	14	16,958	22,611
Florida	220	18,159	24,212
Georgia	86	16,958	22,611
Hawaii	22	16,958	22,611
Idaho	14	16,958	22,611
Illinois	185	16,958	22,611
Indiana	74	16,958	22,611

*Rate base includes newsstand circulation.

STATE (continued)	RATE BASE (000)	PAGE B&W	PAGE 2- or 4-COLOR
Iowa	34	\$ 16,958	\$ 22,611
Kansas	35	16,958	22,611
Kentucky	37	16,958	22,611
Louisiana	39	16,958	22,611
Maine	22	16,958	22,611
Maryland	100	16,958	22,611
Massachusetts	126	16,958	22,611
Michigan	136	16,958	22,611
Minnesota	80	16,958	22,611
Mississippi	20	16,958	22,611
Missouri	65	16,958	22,611
Montana	14	16,958	22,611
Nebraska	22	16,958	22,611
Nevada	24	16,958	22,611
New Hampshire	24	16,958	22,611
New Jersey	150	16,958	22,611
New Mexico	25	16,958	22,611
New York	325	24,442	32,589
North Carolina	95	16,958	22,611
North Dakota	8	16,958	22,611
Ohio	148	16,958	22,611
Oklahoma	31	16,958	22,611
Oregon	50	16,958	22,611
Pennsylvania	185	16,958	22,611
Rhode Island	16	16,958	22,611
South Carolina	38	16,958	22,611
South Dakota	9	16,958	22,611
Tennessee	53	16,958	22,611
Texas	210	17,558	23,411
Utah	25	16,958	22,611
Vermont	12	16,958	22,611
Virginia	102	16,958	22,611
Washington	85	16,958	22,611
West Virginia	20	16,958	22,611
Wisconsin	81	16,958	22,611
Wyoming	8	16,958	22,611

Calendar & Closings: In front pocket.

Discount Schedule: See page 11. Bleed Charge: Add 15% to rates.

2004 Multi-Edition Rate Computation

SPOT MARKET, REGIONAL AND STATE EDITIONS

The Multi-Edition Grid may only be used when an advertiser combines multiple spot market circulations or regional and state circulations for any single issue. Minimum cost is at the 200,000 circulation level. Same creative must be used in all editions, or a copy-split charge applies.

Use the following sequence for rate computation:

1. Add circulation of all editions to be purchased in a single issue.
2. In the Combined Circulation column, locate the range in which your combined circulation falls.
3. Read over to the last column to find the corresponding Base \$ Amount.
4. Multiply by the Marginal CPM, the difference between your combined circulation and the circulation at the Bottom of Range.
5. Add the resulting numbers from steps 3 and 4 to get the Page 4-Color open rate for your multi-edition buy.
6. Black & White rates are 75% of the 4-Color rate.

2004 MULTI-EDITION RATES

COMBINED CIRCULATION		2- OR 4-COLOR	
BOTTOM OF RANGE	TOP OF RANGE	MARGINAL CPM	BASE \$ AMOUNT
0	199,999	-	\$ 28,950
200,000	299,999	\$ 80.09	28,950
300,000	499,999	78.79	36,959
500,000	699,999	77.49	52,717
700,000	899,999	76.19	68,215
900,000	1,099,999	74.88	83,453
1,100,000	1,299,999	73.58	98,429
1,300,000	1,499,999	72.28	113,145
1,500,000	1,699,999	70.98	127,601
1,700,000	1,899,999	69.67	141,797
1,900,000	2,099,999	68.37	155,731
2,100,000	2,299,999	67.07	169,405
2,300,000	2,499,999	65.77	182,819
2,500,000	2,699,999	64.46	195,973
2,700,000	2,899,999	63.16	208,865
2,900,000	2,924,999	61.86	221,497
2,925,000	Up	-	223,000

Dollar Volume Discount

To receive the following discount, the advertiser must request the discount on contract and/or insertion order.

For the purpose of calculating discounts, gross spending includes all spending for space in TIME unless otherwise specified; it does not include production premiums or other charges. This discount is based on an advertiser's total gross spending in TIME at the open rate during the advertiser's designated contract year.

An advertiser may establish any contract year of 52 consecutive issues. All space units and all editions may be combined for discounts except where otherwise specified. Should a contract year bracket two calendar years, the discount grid in effect at the beginning of an advertiser's contract year applies to the advertiser's entire contract year. Contact TIME for more information.

U.S. 2004 DISCOUNT GRID

GROSS SPENDING (\$)	DISC (%)
0 - 399,999	0
400,000 - 699,999	2
700,000 - 1,199,999	4
1,200,000 - 2,199,999	6
2,200,000 - 3,599,999	8
3,600,000 - 4,999,999	10
5,000,000 + Up	12

Contact your sales representative for the 2004 International Discount Grid.

TIME Inquiry Program (TIP)

TIP is a direct-response service that helps generate top-quality sales leads from TIME's highly selective audience. Available to TIME National and demographic edition advertisers.

	ISSUE DATE	AD CLOS
TIP Page with Card	March 15	January 26
	October 18	August 30
TIP Page	May 10	April 12
	December 6	October 18

Research

TIME OPINION LEADERS PANEL

TIME's Opinion Leaders online reader panel of 7,500+ readers is available to TIME advertisers for proprietary research. In addition to fast turnaround and targeted feedback, advertisers receive research expertise in developing their studies to be sure of meaningful and actionable results.



AWARD WINNING EDITORIAL

NATIONAL MAGAZINE AWARDS

- Finalist for General Excellence in 2002 and 1999

PULITZER PRIZE NOMINEES

- Contributing Editor **Philip Caputo** won for investigative reporting and was a finalist for the National Book Award for *Horn of Africa*
- Contributing Editor **Bob Marshall** is the outdoors editor of the New Orleans *Times-Picayune*, where he won in 1986
- Contributing Shooting Editor, **Bob Brister**, has won many gun-writing awards and has been inducted into the sporting Clays Hall of Fame

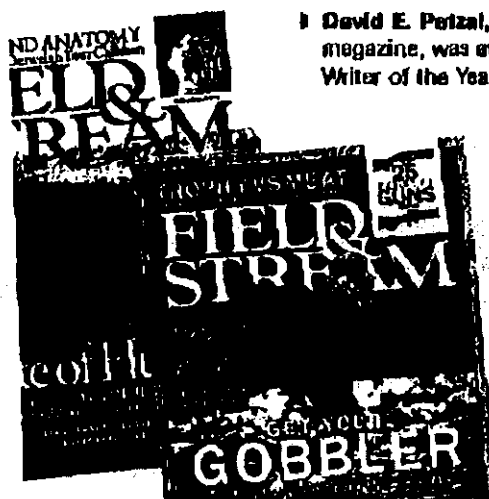
2003 EXCELLENCE IN CRAFT AWARD WINNERS

- Big Game Hunting Contest Sponsored by Leupold & Stevens
 - First Place Radio Category
- Small Game Hunting Contest Co-Sponsored by National Rifle Association and NRA Foundation
 - Second Place Radio Category
- Technical Contest Sponsored by Outdoor Writers Association of America
 - Second and Third Place Radio Category
- President's Choice Awards
 - FieldandStream.com Art/Photo Category

EDITOR ACCOLADES

- David E. Petzel**, Deputy Editor of *Field & Stream* magazine, was awarded the 2002 Leupold Jack Slack Writer of the Year Award

- Phillip Bourjaily**, Shooting Editor of *Field & Stream* magazine, was the recipient of Ducks Unlimited's 1997 Wetlands Conservation Achievement Award for his writing on the mid-continental snow goose population crises.



NATIONAL ADVERTISING • \$ RATES PER PAGE

Effective February 2004

A/Color	Full Page	2/3 Page	1/2 Page	1/3 Page
OPEN RATE	\$101,500	\$ 84,700	\$ 63,800	\$ 42,500
2X	98,500	82,200	61,700	41,100
3X	95,500	79,700	59,800	40,000
10X	93,500	78,000	59,500	39,000
12X	91,400	76,200	57,100	38,200
15X	89,400	74,600	56,000	37,400
18X	87,400	73,000	54,700	36,600
24X	83,300	69,500	52,200	34,800
36X	77,300	64,400	48,300	32,200

2/Color	Full Page	2/3 Page	1/2 Page	1/3 Page
OPEN RATE	\$ 88,400	\$ 73,700	\$ 55,300	\$ 36,900
3X	86,700	71,800	53,600	35,800
6X	83,100	68,300	52,000	34,700
10X	81,400	67,600	50,800	34,000
12X	79,800	66,400	49,800	33,200
15X	77,800	64,900	48,700	32,500
18X	76,100	63,500	47,600	31,800
24X	72,500	60,500	45,400	30,300
36X	67,900	56,100	42,100	28,100

BLACK	Full Page	2/3 Page	1/2 Page	1/3 Page
OPEN RATE	\$ 81,300	\$ 67,800	\$ 50,900	\$ 33,800
3X	78,800	65,700	48,300	32,800
6X	76,400	63,700	47,000	31,800
10X	74,800	62,400	46,800	31,200
12X	73,200	61,000	45,800	30,500
15X	71,800	59,700	44,800	29,800
18X	70,000	58,400	43,800	29,200
24X	66,700	55,600	41,700	27,400
36X	61,900	51,600	38,700	25,800

Covers	Cover 2	Cover 3	Cover 4
OPEN RATE	\$118,900	111,800	132,100
3X	113,300	108,400	128,200
6X	108,800	105,000	124,100
10X	107,500	102,900	121,800
12X	106,100	100,600	118,900
15X	102,900	98,400	116,300
18X	100,600	96,200	113,800
24X	95,800	91,200	108,400
36X	88,900	85,000	100,400

Bleed:

Available on all ROB units one-third page or larger; add 10% to the gross rate. No charge for gutter bleed on two facing pages.

Discounts:

Mail Order/Direct Response 20% ROB Space only
Concurrent 2.5% Space in *Outdoor Life* in the same issue

All rates gross. Rates subject to change



RATES

B & W	1X	4X	8X	12X
Full Page	\$3335	\$3085	\$2840	\$2470
1/2 Page	\$2335	\$2160	\$1990	\$1730

FOUR COLOR	1X	4X	8X	12X
Full Page	\$5,075	\$4,858	\$4,055	\$3,525
1/2 Page	\$3,550	\$3,210	\$2,840	\$2,470

COVERS	1X	4X	8X	12X
Inside Front	\$6280	\$6155	\$5445	\$4735
Back	\$6985	\$6300	\$5575	\$4850

MOTO MALL

TransWorld Motocross offers our special Moto Mall selection for the companies on a tighter budget. This special advertising section allows your company to reach hundreds of thousands of potential customers at a very affordable rate. Moto Mall is a great tool for maintaining visibility and accessibility within the motocross community. Space is available in 1", 2", and 3" tall sizes. All Moto Mall ads are 2-1/8" wide. Rates are for color ads.

SIZE:	4X	8X	12X
1/6 page	\$650	\$585	\$500
2"	\$315	\$275	\$250

DISCOUNTS

15% agency discount
10% pre-pay discount

MULTIPLE PAGE DISCOUNTS

(affects all pages that run in a single issue)

5% spread discount

3-4 pages: 7%

5-6 pages: 9%

7-8 pages: 11%

9+ pages: 13%

TransWorld Motocross offers a discount to advertisers currently on a full schedule in other consumer titles within the TransWorld Network (TransWorld Skateboarding, TransWorld Snowboarding, Ride BMX, TransWorld BMX, Freeze, TransWorld Surf.)
First title: 5%
Each additional title: 2%

2004 CIRCULATION PROJECTIONS

Newsstand Sales: 45,000

Subscriptions: 45,000

Total Circulation: 90,000

Each issue of TransWorld Motocross is received by over 4,500 Motorcycle shops!



Audit Bureau of Circulations

||TRANSWORLD||RATES||MKT04||

BON APPÉTIT
AMERICA'S FOOD AND ENTERTAINING MAGAZINE

2004 GENERAL ADVERTISING RATES

RATES FOR JANUARY-JUNE 2004 ISSUES/RATE BASE 1.25 NM

GENERAL ADVERTISING RATES

4/C	SIZE	1x	3x	6x	9x	12x	18x	24x	30x	36x	48x
	1 PG	83,625	81,116	79,444	78,935	74,426	72,754	71,081	70,245	69,409	67,736
	2/3 PG	66,895	64,888	63,550	61,543	59,537	58,199	56,861	56,192	55,523	54,185
	1/2 PG	50,170	48,665	47,662	46,156	44,651	43,648	42,645	42,143	41,641	40,638
	1/3 PG	34,865	33,819	33,122	32,076	31,030	30,333	29,635	29,287	28,938	28,241
	1/4 PG	24,045	23,324	22,843	22,121	21,400	20,919	20,438	20,198	19,957	19,476
	1/6 PG	18,120	17,576	17,214	16,670	16,127	15,784	15,402	15,221	15,040	14,677
2/C	SIZE	1x	3x	6x	9x	12x	18x	24x	30x	36x	48x
	1 PG	70,555	68,438	67,027	64,911	62,794	61,383	59,972	59,266	58,561	57,150
	2/3 PG	56,460	54,766	53,637	51,943	50,249	49,120	47,991	47,426	46,862	45,733
	1/2 PG	42,335	41,065	40,218	38,948	37,678	36,831	35,985	35,561	35,138	34,291
	1/3 PG	29,395	28,513	27,925	27,043	26,162	25,574	24,986	24,692	24,398	23,810
B/W	SIZE	1x	3x	6x	9x	12x	18x	24x	30x	36x	48x
	1 PG	58,665	56,905	55,732	53,972	52,212	51,039	49,865	49,279	48,692	47,519
	2/3 PG	46,925	45,517	44,579	43,171	41,763	40,825	39,886	39,417	38,948	38,009
	1/2 PG	35,185	34,129	33,426	32,370	31,315	30,611	29,907	29,555	29,204	28,500
	1/3 PG	24,440	23,707	23,218	22,485	21,752	21,263	20,774	20,530	20,285	19,796
	1/4 PG	16,855	16,349	16,012	15,507	15,001	14,684	14,327	14,158	13,990	13,653
	1/6 PG	12,720	12,338	12,084	11,702	11,321	11,066	10,812	10,685	10,558	10,303
COVERS		1x	3x	6x	9x	12x	18x	24x	30x	36x	48x
SECOND		100,355	97,344	95,337	92,327	89,316	87,309	85,302	84,298	83,295	81,288
THIRD		87,815	85,181	83,424	80,790	78,155	76,399	74,643	73,765	72,886	71,130
FOURTH		104,530	101,394	99,304	96,168	93,032	90,941	88,851	87,805	86,760	84,669

All Advertisers qualify for General Rates unless these Advertisers specifically qualify for one of the rate categories listed on magazine rate cards.

For bleed ads, add 15% to the above rates.

2/C rates apply for advertisements utilizing two process colors, or PMS colors converted to process colors. Any other combination will result in a surcharge, or in an invoice at the 4/C rate or higher. For further information regarding corporate rates, please contact Leslie Picard, VP, Corporate Sales, at 212.286.4465.



WE BRING
MORE
TO THE
PARTY

Photos provided by our readers with the 2004 BON APPÉTIT

212-522-7214

Reader's Digest - 2004 Rate Card (ALL RATES ARE GROSS)**Full Circulation: 10,000,000**

	<u>4 Color</u>	<u>Black & One Color</u>	<u>Black & White</u>
Full Page	\$221,800	\$198,230	\$193,790
Spread	\$443,200	\$396,460	\$387,580
3/4 Page	\$199,500	\$176,460	\$174,470
1/2 Page	\$133,000	\$118,970	\$116,310

Half Circulation: 5,000,000

	<u>4 Color</u>	<u>Black & One Color</u>	<u>Black & White</u>
Full Page	\$133,000	\$118,970	\$116,310

Cover Rate

Second Cover			\$277,000
Gatefold		Contact Your Sales Representative	
Third Cover			\$263,900
Gatefold		Contact Your Sales Representative	

Family Plus: 5,500,000

	<u>4 Color</u>	<u>Black & One Color</u>	<u>Black & White</u>
Spread	\$404,600	\$358,640	\$349,660
Full Page	\$202,300	\$179,320	\$174,830

Mature: 4,500,000

	<u>4 Color</u>	<u>Black & One Color</u>	<u>Black & White</u>
Spread	\$331,000	\$293,400	\$286,060
Full Page	\$165,500	\$146,700	\$143,030

Regional Editions

	<u>4 Color</u>	<u>Black & One Color</u>	<u>Black & White</u>
New England- 470,000	\$27,630	\$24,910	\$24,220
Metro New York- 260,000	\$16,330	\$14,620	\$14,210
Great Lakes- 1,280,000	\$59,620	\$53,360	\$51,870
Southern- 1,990,000	\$88,040	\$78,800	\$76,600
North Central- 1,430,000	\$64,050	\$57,330	\$55,730
Southwest- 920,000	\$47,010	\$42,080	\$40,900
Pacific- 1,200,000	\$58,050	\$50,170	\$48,770
Metro Los Angeles- 450,000	\$26,820	\$24,010	\$23,340
Mid-Atlantic- 990,000	\$50,290	\$45,010	\$43,760
Metro Chicago- 240,000	\$16,590	\$13,960	\$13,570

Total Circulation: 8,238,000**Major Markets**

	<u>4 Color</u>	<u>Black & One Color</u>	<u>Black & White</u>
Boston- 130,000	\$13,700	\$12,270	\$11,920
Cleveland- 150,000	\$14,260	\$12,770	\$12,410
Detroit- 130,000	\$13,700	\$12,270	\$11,920
Philadelphia- 140,000	\$13,980	\$12,520	\$12,170
Pittsburgh- 120,000	\$13,390	\$11,990	\$11,650
San Francisco/Oakland- 160,000	\$14,540	\$13,020	\$12,650
Atlanta- 140,000	\$13,980	\$12,520	\$12,170
Tampa/St. Petersburg- 130,000	\$13,700	\$12,270	\$11,920
Dallas/Fort Worth- 170,000	\$14,820	\$13,270	\$12,900
Seattle/Tacoma- 150,000	\$14,260	\$12,770	\$12,410

Total Circulation: 1,420,000

contacts

Referrals Advertising

Publisher
836.000.1431

North Carolina & West Coast
378.882.1438

Midwest & Southwest
328.889.1434

East Coast
335.886.1435

Europe
011.39.02.7800.0402

toFurniture Editorial

Editor-In-Chief
338.886.1433

2974 *Estuaries* Vol. 18, No. 4, p. 737-747 December 1995

Season Date	Spence Closing	Wheatland Closing
January 2	December 4, 2020	December 10, 2020
February 12	January 15	January 22
March 18	February 23	February 27
April 1	March 6	March 11
April 19	March 22	March 24
May 17	April 26	April 29
May 31	May 10	May 14
June 17	May 27	June 2
July 8	June 14	June 18
August 12	July 16	July 21
September 18	August 17	August 23
October 1	September 1	September 7
October 11	September 15	September 20
November 1	October 18	October 26
November 29	November 4	November 11
December 21	November 29	December 1

copy is in strict equality is

[illegible]

It Order that contains more than one item function I shall be charged not to listing each PRODUCT and may be a listed and charged for as the actual number of items.

C. Advertisements of products sold without consent by clearly defined and labeled "DECEMBER 1984" and "DECEMBER 1985" only in the circulation, as listed over copy

D. Submit the trials involving controlled materials or specialized facilities, timing, skills or equipment, or other requirements may be accepted and limited to such materials or specialized facilities and equipment.

2. In the event of errors in or omissions of any advertisement, PUBLISHER'S liability shall not exceed the amount of monies paid to PUBLISHER for the advertisement. CIRCULATOR is and responsible for errors in her reporting.

4. **Warranty** [A] A warranty of any kind shall not be implied in CONNECTION with the printing of the book. [B] **PERFORMANCE** is not responsible for errors or omissions in, or the publication quality of, bound volumes.

(4) The Advertising Order Agency shall be responsible for any additional charges incurred by the advertiser in the delivery of the advertising order. The advertiser shall be responsible for any additional charges incurred by the advertiser in the delivery of the advertising order.

©. All images relating to advertising will be governed by the laws of the State of New York applicable to contracts to be performed entirely therein. Any writers seeking to submit work to be brought to the attention of the Editor must do so in New York, New York and the work is hereby accepted to the jurisdiction of such courts.

[illegible]

to publish such information, for delivery and its Agency, if there be not, such space given as generally is obtained and upon payment \$250.00, and its employees and representatives, together with their families, have complete exemption of all taxes, including citizens' tax, a thing not of any other like

In the event members elect their Agent or Agents, the Association, such Agent or agents and approved

1. In the event of a dispute between the Agency and the Contractor, the Contractor shall be responsible for the cost of any legal proceedings. The Contractor shall be responsible for the cost of any legal proceedings. The Contractor shall be responsible for the cost of any legal proceedings.

[illegible]

liability of the Advertiser and Agency. Payment by the Advertiser to the Agency shall not constitute an admission of liability by the Advertiser to the Agency. The Agency shall not be entitled to any fee or other compensation from the Advertiser or the Agency.

5. The selection of Agency may not in any advertising space either directly or indirectly for any business organization, corporation, provided, in no case other than that in which the advertising space is provided UNPUBLISHED, nor may the selection of Agency constitute any effort to use any advertising space.

14. Indent for: include or exclude mortgages are non-negotiable. Specify on mortgages which shall be negotiable.

2. Order for all breast-feeding infants on the immediate 15 days prior to delivery date. Supplied parenteral nutrition is not required for these infants.

any copyright in the materials submitted remains the sole property of ADVERTISING. All rights reserved. No part of this advertisement may be reproduced without the written consent of ADVERTISING. Should ADVERTISING agree to accept an advertising order, the Advertiser will be responsible for the cost of any work performed.

2. The advertiser certifies Agency agrees to reimburse BILLYBONE for its attorney's fees and costs resulting any legal charges in price of the charge for any advertisement.

Q The copyright in any advertisement created by ADVERTISER is owned by ADVERTISER, and any materials used by the Advertiser without ADVERTISER's prior written consent. The Agency and Advertiser agree that any advertisements published on, at, or through ADVERTISER's system, are included in its copyright, whether or not they are published on, at, or through ADVERTISER's system.

3. Status and scope of work are identical with the January 1983 issue. Acknowledgment of any change to this

2. **Reserve quantities are made to be stored 62 months and not more.**

11. Terms of sale: Payment due thirty days. Immediate on invoice. Interest will be charged at rate of 1.5% per month on past due balance.

4 The foregoing letter would not and does not govern the relationship between BELLINGHAM and the Federal Agency. BELLINGHAM has not made any representation to the Agency or Agency that would govern or bind. When expressly agreed to in writing by BELLINGHAM, no other terms or conditions

RATES & SPECIFICATIONS

2004

INFURNITURE

INFORMANT
The monthly trend magazine for the furniture business

Information Effective Rates (Effective 1/1/2004)

	1x	4x	10x	16x	24x	32x
Full page	\$ 10,700	\$ 38,000	\$ 84,000	\$ 118,800	\$ 158,000	\$ 176,000
1/2 Page haz & vert	\$ 8,800	\$ 27,600	\$ 60,000	\$ 83,200	\$ 108,800	\$ 118,400
1/4 Page	\$ 6,100	\$ 20,800	\$ 45,600	\$ 64,000	\$ 84,000	\$ 95,800
Strip Ad	\$ 6,400	\$ 22,400	\$ 48,000	\$ 68,800	\$ 88,800	\$ 99,200

No discount for B&W ads

Premium Positions 20%
PMS color \$7,800

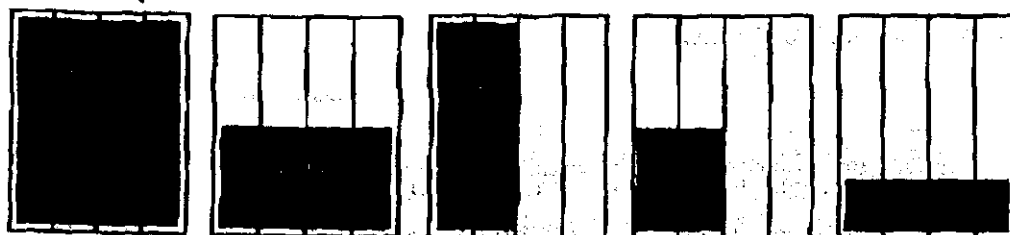
Insert Pricing (Earned Rate + Discounts as Follows + Tip in Charge)

4 pages	25%	8 or more pages	50%
8 pages	30%	Tip in Charge	\$7,800

Mechanical Requirements

AD TYPE	Min-Blood Size	Blood Size (see safety requirements*)	Trim Size
Full Page	100mm	100mm	100mm
1/2 Page	100mm	100mm	100mm
1/4 Page	100mm	100mm	100mm
Strip Ad	100mm	100mm	100mm
Insert Size Info	100mm	100mm	100mm

Ad Size and Specs



AD SIZE AND PRODUCTION SPECIFICATIONS

Digital Specifications:

MEDIA: Mac Formatted data, Zip 100, CD-R, CD-RW. Please note that CD-RW must be formatted as ISO 9660 as set to be read by Mac OS. Sealed media must be clearly labeled. (No floppy disks accepted) Size is ONLY per Disk Accepted.
(Speeds can be on same disk, BUT must be separated on two separate PDF files and marked for left and right, a combined file must also be sent.) E-mailed files will not be accepted under any circumstances.

LABEL INFORMATION: Issue date, advertiser name, contact name, and telephone number

FILE NAME: If use PDF files (send ONLY through Acrobat (not Mac) No native application files accepted. PDF files MUST be saved using Acrobat (not Mac) (not Mac) 4.0 or 4.0 with Mac to be accepted

THE FOLLOWING PDF DISTILLED FILES ARE BY NAME:

1. All fonts embedded (NO True Type fonts accepted)
2. The correct mode (ie. CMYK or Separation)
Never RGB or LAB or embedded color profiles. (ie. ICC profiles)
3. All spot colors (CMYK) be converted to CMYK unless using 1, 2, or 3 color ink. NO 4th color with full color accepted unless pre-ordered.
4. DPI must NEVER be included in the file. (see advanced tab in distill)
5. Resolution: 300 DPI for all submitted images and files.
6. All ads must have position marks for on-blend ads and size and bleed marks for bleed ads.

THE FOLLOWING ARE THE ONLY ACCEPTED PROOFS (4 COLOR AND):

1. Color APPROVAL Proof
2. Handmade DIGITAL HTS Proof
3. Full RETAILPROOF

Only B&W ads can be submitted with camera proof.

THE CORRECT SIZE MUST ALWAYS BE DETERMINED DIRECTLY FROM THE MAGAZINE'S VENDOR. Proofs MUST be created with SWOP Web Offset guide. Publication not responsible for variance between digital file, and any proof not listed above. Proof must be approved @ 120 line screen on publication bench, color calibration SWOP Standard, D50 Illuminant, 2 degree observer.

BACKUP WORKFOLDERS: In addition to the HTS PDF, all supporting fonts, illustrations, and assets must accompany each submitted ad. All submitted assets must be for MAC OS (NO PC FONTS), and Postscript in nature. NO True Type fonts. Any stylized fonts in Chart WILL NOT be accepted. Illustrations should have all fonts converted to outlines. All files must be saved in color preferably in the Adobe RGB format. A color desktop and proper proof must accompany each ad file. All submitted images, and/or files must be converted to CMYK. A color proof of the digital file will be made if requested or sent to the advertiser or ad agency. All ads supplied without a color proof will have color made (line a packaging) at advertiser or ad agency's expense. Since client will not be able to sign off on the proof made, the publication is not responsible for color of proof.

Publication is not responsible for color or content of proofs or files that do not conform to the specifications listed. Please confirm the dates with the production department. If you have questions or problems with supplying a digital format, please contact the production department. Please note: Changes will be made to advertising or agency or commercial rates for digital files that require operator intervention. A color/checked proof must be applied. If multiple digital files to be reviewed, a self-addressed, stamped envelope with correct postage should be submitted.

For all other files and specifications, visit the Production Department, at 800-800-8000. This website for Advertising Production Department's Website: www.fairchild.com

Fairchild

1 CHAIRMAN OMAS: Is there any additional
2 matters that we need to take up at this point before
3 we begin oral cross-examination?

4 (No response.)

5 CHAIRMAN OMAS: There being none, Mr.
6 Bergin, would you introduce yourself for the record,
7 please?

8 MR. BERGIN: Good morning. Tim Bergin from
9 McGraw-Hill Companies.

10 Whereupon,

11 ROBERT W. MITCHELL

12 having been previously duly sworn, was
13 recalled as a witness herein and was examined and
14 testified further as follows:

15 CHAIRMAN OMAS: I just want to make a
16 statement. Mr. Mitchell, you know that you're still
17 under oath?

18 THE WITNESS: Yes, I do.

19 CHAIRMAN OMAS: Thank you.

20 CROSS-EXAMINATION

21 BY MR. BERGIN:

22 Q Mr. Mitchell, would you please refer to
23 McGraw-Hill Interrogatory 42 that was directed to you?

24 A Okay. I have it.

25 Q Part B of McGraw-Hill Interrogatory No. 42

1 asks you to confirm that \$214.3 million represented
2 the difference between the revenue generated by the
3 flat editorial pound rate and the revenue that would
4 be generated if there were no flat editorial pound
5 rates and editorial pounds paid the zone charges that
6 advertising currently pays, and you confirmed that
7 that was so.

8 A That's right.

9 Q When we talk about this \$214 million as the
10 difference between the revenues generated by the flat
11 editorial pound rate and the revenue that would be
12 generated if the editorial pounds were zoned, are we
13 really talking about the subsidy that advertising
14 pounds pay for editorial matter under the pound
15 charges?

16 A Okay. I think we have to make a distinction
17 here. When you read Part B, you read it correctly;
18 that is, the \$214.3 million is the difference between
19 paying the rates that editorial pays and having
20 editorial pay the advertising date.

21 But, when you repeated the question a moment
22 ago instead of reading it, you said it is the
23 difference between the editorial rates and the rates
24 that editorial would pay if there were no editorial
25 benefits, and those are different.

1 Q No. I didn't mean to imply. I see what
2 your point is. I'm talking about the difference
3 between revenue generated by the flat editorial pound
4 rate and the revenue that would be generated if
5 instead of the flat editorial pound rate the zoned
6 rates for advertising applied.

7 A That's the way I would define the benefit,
8 and that's the figure that I know how to calculate.
9 Now, if you want to develop a different scheme to
10 calculate some kind of benefit you can, but this is
11 the only one that was apparent to me, and when I
12 calculated it I think I was very clear about what it
13 was. You, with that clarification, have been clear
14 about it also.

15 Q I just want to understand. This \$214
16 million figure, this is basically the subsidy under
17 the current rates that advertising pounds pay for
18 editorial matter? Is that a fair statement?

19 A I don't think you can say that that is the
20 subsidy that advertising pays for editorial matter
21 because if advertising did not have to finance that
22 \$214 million, the advertising rates would be
23 different.

24 Q Yes.

25 A But they would not be different by the

1 amount of \$214 million divided by the advertising
2 pounds. They would be different by the difference of
3 \$214 million over total pounds.

4 Q Understood, but right now advertising pounds
5 are financing that \$214 million as you just said. Is
6 that correct?

7 A In a general sort of way, yes, but I think
8 I've explained in several responses that in some sense
9 editorial pays part of its own benefit because all of
10 the rates are increased so the editorial and
11 advertising are increased to make up the loss for the
12 benefit.

13 Q I understand your answers got into the issue
14 of how the flat editorial pound rate is derived, and
15 the higher the flat editorial pound rate is then the
16 lower the subsidy that advertising pays for editorial,
17 correct?

18 A Yes.

19 Q But nevertheless, that subsidy is paid by
20 advertising pounds, not by editorial pounds. Isn't
21 that correct?

22 A Well, I've tried very hard to map this thing
23 out in response to each of the questions and be clear.

24 Q It's a very simple question.

25 A Whether or not it's right to say that

1 advertising all by itself is paying that entire
2 amount, which I believe was your question, it's a
3 little bit difficult because if it weren't paying that
4 amount then the advertising rates would not go down by
5 that amount to get the same cost coverage.

6 Q My question is whether advertising pounds
7 are paying the amount.

8 A They're certainly helping.

9 Q Aren't they paying the full amount of the
10 \$214 million?

11 A In the way I define things, I don't think
12 it's quite correct to say that.

13 Q Please turn to your response to McGraw-Hill
14 Interrogatory No. 43.

15 A Yes.

16 Q The question here is: "What additional
17 amounts beyond the flat editorial pound charge is paid
18 by editorial pounds to recover the revenue leakage
19 associated with the flat editorial pound charge?"

20 A Yes, and that answer --

21 Q Now, you divided the \$214 million by what
22 you call weighted pounds, and you came up with a
23 figure of 4.37 cents. Is that correct?

24 A 4.37? Yes.

25 Q Is 4.37 cents per pound an additional amount

1 that editorial pounds pay beyond the flat editorial
2 pound charge?

3 A No. The editorial pound rate is elevated by
4 77.8 percent of the 4.37 cents.

5 Q But the question asked you what additional
6 amount was paid beyond the flat editorial pound
7 charge, and you come back and tell me how the flat
8 editorial pound charge is derived.

9 My question is what additional amount is
10 paid by editorial beyond the flat editorial pound
11 charge? What additional amount, if any?

12 A Okay. I mis-spoke. The 5.62 cents is the
13 amount that advertising is raised to --

14 Q Can you please answer my question?

15 A I'm trying very hard.

16 Q What additional amount is paid by editorial
17 pounds beyond the flat editorial pound charge? I
18 understand you have some ideas you want to get across
19 about how the flat editorial pound charge is derived,
20 but my question is simply what additional amount is
21 paid?

22 A I believe that the 4.37 cents is the
23 additional amount that editorial pays to help finance
24 the figure of -- what was it -- \$214.3 million.

25 Q Would you look at page 43 of your testimony,

1 please?

2 A Yes.

3 Q Actually, I wanted to refer to the current
4 rate schedule. Do you have that?

5 A Yes. Yes, I have it.

6 Q Now, the current rate schedule shows that on
7 the pound side editorial pays 19.3 cents per pound.

8 A Yes.

9 Q Where on that rate schedule do you see
10 reference to this 4.37 cents that in response to
11 Interrogatory 43 you say editorial pounds pay in
12 addition to the flat editorial pound charge?

13 A That is a figure which was implicitly built
14 into the 19.3 cents when the rates were developed.

15 Q Right. It's a component of the flat
16 editorial pound charge?

17 A Yes.

18 Q The question put to you in McGraw-Hill
19 Interrogatory 43 was: "What additional amount beyond
20 the flat editorial pound charge is paid by editorial
21 pounds to recover revenue leakage associated with the
22 flat editorial pound charge?"

23 The answer is that there's no additional
24 amount. Isn't that straightforward?

25 A Well, it's definitional here. If you want

1 to know how much you've paid beyond the final
2 resultant rate, nothing is paid beyond that because
3 it's the final resultant rate.

4 If you want to know when the rates are built
5 and the benefits for editorial is being arranged when
6 you're trying to cover it, it's true at that point
7 that the editorial rate is elevated in that process.
8 That's what I thought you were asking about.

9 Q No. I had a very simple question. I just
10 needed confirmation that the \$214 million subsidy in
11 order to make up for the revenue leakage in the flat
12 editorial pound rate is financed by advertising
13 pounds, not editorial pounds. That's pretty
14 straightforward. Is that correct?

15 A I don't believe you can say that.

16 Q Why do you say that?

17 A Because if the flat editorial benefit of
18 \$214.3 million was not given, the advertising rates
19 would not go down by \$214 million.

20 Q My question is a little different. I
21 understand you like to consider the economic
22 ramifications of things, but my question is very
23 simple.

24 The \$214 million figure, that revenue, that
25 shortfall, is obtained solely from the advertising

1 pound charges, correct? I mean, where else would that
2 revenue be recovered from?

3 A I'm sorry. I missed a word somewhere. The
4 \$214.3 million is somewhat of an unusual construction,
5 although I don't know of any better construction for
6 it.

7 It is a difference between what editorial
8 pays and what it would pay if it paid the advertising
9 rates, but it's not clear that having them pay the
10 advertising rates is a legitimate end result of rate
11 design, so it's an alternative which is not connected
12 with a candidate's final set of rates.

13 Q Under the current rate structure, editorial
14 pounds pay less than advertising. Is that correct?

15 A That's true.

16 Q There's a shortfall in costs that need to be
17 recovered under the pound rates?

18 A That's right.

19 Q And that shortfall is recovered from the
20 advertising rate?

21 A The shortfall is calculated as what we
22 generally call a leakage --

23 Q Right.

24 A -- during the rate design process. When
25 that leakage is recovered, all of the rates are

1 adjusted upwards, not just advertising. That's the
2 problem that we're having here.

3 Q You're talking about development of the
4 rates, the fact that you have a first cut rate and
5 then you adjust upwards. I'm talking about the final
6 flat editorial pound rate and the leakage associated
7 with that.

8 That leakage is basically the difference
9 between the editorial charge and the advertising
10 charge.

11 MR. KEEGAN: Mr. Chairman, I believe the
12 witness has already answered this question at least
13 three times.

14 MR. BERGIN: I don't believe he has answered
15 it.

16 CHAIRMAN OMAS: Proceed, Mr. Bergin.

17 Try to address the questions that are being
18 asked to you, Mr. Mitchell, please.

19 THE WITNESS: I'm trying very hard. I'm
20 sorry if I'm not clear.

21 Conceptually, we could develop a set of
22 rates with no editorial benefit, and we could look and
23 see what those are, and then we could develop another
24 set of rates with the editorial benefit, and we could
25 compare the two. That's not what the \$214 million is

1 based on.

2 BY MR. BERGIN:

3 Q What is the \$214 million based on?

4 A It is based on the additional revenue that
5 would be obtained if the editorial, as it now stands,
6 pays the advertising rates as they now stand.

7 Q Is it fair to say that the \$214 million
8 represents an amount that, because it's not being paid
9 by the editorial pounds, must be paid up by the
10 advertising charges? Isn't that what a revenue
11 leakage is all about?

12 A No, I don't think it's fair because the
13 leakage exists in the rate development process.

14 Q No. I'm talking about the final rates.

15 A Well, having the editorial pounds pay the
16 advertising rate is not a legitimate final situation
17 because you would have excess revenue then, and you'd
18 be over your cost carriage for the subclass, and you'd
19 have to adjust everything downward.

20 I've been clear about what this \$214.3
21 million represents, but you can't say that that is an
22 amount currently paid by advertising.

23 Q The \$214 million, if I understand it,
24 represents the difference between the advertising
25 charge for a particular zone and the editorial pound

1 rate multiplied by the editorial pounds in the zone
2 and then summing the results for each zone?

3 A Yes. Yes, it does.

4 Q So it represents in a sense the degree to
5 which the advertising pound charges are higher?

6 A No, it doesn't. Higher than what?

7 Q Higher than the editorial pound charge.

8 A That is does.

9 Q And that revenue, that subsidy if you will,
10 is financed obviously through the --

11 MR. KEEGAN: Mr. Chairman, I renew my
12 objection. The witness has answered this question now
13 by my count five times.

14 MR. BERGIN: I've asked it probably five
15 times, Mr. Chairman, but --

16 MR. KEEGAN: And the witness has responded
17 in the negative five times.

18 CHAIRMAN OMAS: Why don't you proceed, Mr.
19 Bergin?

20 BY MR. BERGIN:

21 Q Referring you to your response to McGraw-
22 Hill Interrogatory 42(C) --

23 A 42?

24 Q Yes.

25 A Okay.

1 Q The question was whether the \$214.3 million,
2 which represents the revenue leakage associated with
3 the flat editorial pound rate, is recovered, whether
4 any portion of that is recovered from the flat
5 editorial pound charge. In response, you point out
6 initially that the flat editorial pound rate is
7 elevated by 18.5 cents per pound.

8 This goes to the derivation of the pound
9 rates, but not to the question of whether the pound
10 rate is funding part of the \$214 million. Is that
11 correct?

12 A When your question goes to the 23.8 cents, I
13 answered it in terms of the 23.8, but part of that
14 23.8 is the leakage associated with the editorial
15 benefit, and part of it relates to other things.

16 We can talk about one of two things. We can
17 either talk about the whole 23.8, in which case you
18 get the 18.5 elevation, or we can talk about a portion
19 of the 23.8, which is the \$214.3 million, and we can
20 talk about where that goes.

21 Q The question was in terms of the \$214
22 million.

23 A Well, my answer is a page and three-quarters
24 long. I tried to trace through. I did the best job I
25 knew how. I spent quite a bit of time on this. I

1 attempted to trace through what the figures mean and
2 what they include.

3 Q As I understand your answer, you went
4 through the process of deriving the flat editorial
5 pound charge, and the process began with taking
6 transportation costs and arriving at so-called first
7 cut rates. Is that a fair statement?

8 A Yes. That's my choice of words. I've used
9 that for some time.

10 Q And you were working here with hypothetical
11 zones, and you developed first cut rates for those
12 zones and a first cut flat editorial pound charge? Is
13 that correct?

14 A I'm sorry. I don't understand what it means
15 to work with hypothetical zones.

16 Q You state on page 2 of your answer, "I
17 suppose there are only three zones, 1, 2 and 3."

18 A I was creating an example here --

19 Q Yes.

20 A -- to try to explain it.

21 Q So you arrive at first cut rates for those
22 three zones, as well as a first cut flat editorial
23 pound charge?

24 A Yes.

25 Q And your first cut flat editorial pound

1 charge is 3.1 cents? 3.112 cents.

2 A Okay. I would have to read the full answer
3 and get it back into my mind again here. It's not
4 incredibly short, but I think what you said is right.

5 Q And then you refer to a revenue so far
6 figure. In other words, using those first cut rates
7 you calculate what the revenue would be, and then you
8 refer to a deficit.

9 A Yes.

10 Q Now, the deficit you refer to is simply the
11 additional cost that must be recovered, additional
12 weight related costs that must be recovered under the
13 pound charges in order to meet the revenue
14 requirement, the additional revenue beyond that given
15 by the first cut rates?

16 A It's from the portion of the revenue
17 requirement that is to be obtained from the pound
18 rates, yes.

19 Q That's quite different from the revenue
20 leakage associated with the final flat editorial pound
21 rate, isn't it?

22 A Yes, but when I divide by weighted pounds it
23 recognizes that when I elevate the advertising rates
24 that the flat editorial pound rate will be elevated as
25 well and that the difference between the two then will

1 be different.

2 Q My question is simply this process that you
3 referred to on page 2 of your answer to McGraw-Hill
4 Interrogatory 42 is simply part of the process of
5 deriving the flat editorial pound rate, and it's quite
6 different from the \$214 million, which is the revenue
7 leakage associated with the flat editorial pound rate
8 after it's been derived.

9 A I'm sorry. I don't see that it's different.
10 I meant for the example to relate to the question and
11 to what was going on.

12 Q Well, if you look at page 3 you end up
13 deriving a final hypothetical flat editorial pound
14 rate of about seven cents. Is that correct?

15 A Yes.

16 Q And the revenue deficiency associated with
17 the flat editorial pound rate would be derived by
18 subtracting that seven cents from the zone charges and
19 multiplying by editorial pounds. Is that correct?

20 A Yes, and that relates to the \$214.3 million.
21 It's a similar kind of figure. I think we've been
22 clear what that means.

23 Q It's a different figure though?

24 A Well, it's in my hypothetical, yes.

25 Q The \$214 million figure is a different

1 figure from the deficit between the first cut rates
2 and the final rates?

3 A Oh, certainly.

4 Q How are they different?

5 A Well, in this particular example I
6 calculated a flat editorial pound rate to go with the
7 first cut zone rates. I've never done that before.
8 It's not done in any of the work papers, and I've
9 never had occasion to calculate it, but I thought
10 well, I can calculate one here for you, and it will be
11 clear that such a thing can be presumed to exist.

12 Then when I made up the deficit associated
13 with that flat editorial pound rate, as well as
14 obtained the rest of the revenue needed from the pound
15 rates, I pointed out how the --

16 Q Isn't that the first cut flat editorial
17 pound rate?

18 A Well, we're getting 40 percent of the
19 revenue here from pound rates, and only part of that
20 is transportation. When we build the first cut set of
21 rates on transportation, it doesn't get 40 percent of
22 the revenue from the pound rates. It gets somewhere
23 around 15 percent of the revenue from the pound rates.

24 There needs to be this 23 cent elevation
25 that we're talking about, which subsumes several

1 different things. In this particular example I
2 calculated a flat editorial pound rate that would be
3 associated with the first cut, and then I showed how
4 it was elevated.

5 Q And that deficit is very different from the
6 concept of the \$214.3 million revenue leakage
7 associated with the final ultimate flat editorial
8 pound charge?

9 A Yes, it is.

10 Q If I understand your answer correctly,
11 you're saying that the first cut flat editorial pound
12 charge pays a portion of that deficit in cost, but my
13 question was whether the flat editorial pound charge
14 paid any portion of the \$214 million revenue leakage
15 associated with the flat editorial pound charge. Do
16 you see my confusion?

17 A I don't know how to say anything different
18 from what I've already said. The \$214 million is a
19 special instruction that's based on the final
20 resulting rate.

21 We decided I believe to call that the only
22 way we know how to calculate the level of benefits
23 given to the editorial pounds in the end. It's a
24 level of benefit defined as the difference between the
25 two, but it's not an elevation that occurs to

1 advertising in the rate design process, and it's not
2 an elevation that occurs to advertising relative to
3 what advertising would pay if there's no benefit for
4 editorial.

5 Q Now, there's a revenue requirement for the
6 pound charges for periodical rates, correct?

7 A That's right. You're speaking of the cost
8 for the subclass kinds, the markup times the cost
9 coverage and then take 40 percent of that basically.

10 Q Now, if because of the flat editorial pound
11 charge the editorial pounds are paying less and
12 covering less of those costs, which I think you
13 referred to as the editorial benefit, then those costs
14 that are not recovered from editorial pounds must be
15 recovered elsewhere, correct, and that's the
16 relatively higher advertising zone rates?

17 A I'm sorry. I couldn't follow that clearly.
18 I'm trying very hard to do so. If you want to
19 rephrase the question, I'll try to listen again.

20 Q The \$214 million, is it fair to say,
21 represents the degree of subsidy or editorial benefit
22 in a sense that the editorial pound charge is lower
23 than the zoned advertising pound charges?

24 A You have described the construction of the
25 \$214.3 million very accurately when you said it's a

1 summation of some rate differences times some pounds.
2 That's what it is.

3 Now, I told you that I didn't know any other
4 way to calculate the subsidy, but I agreed that a
5 creative person that wanted to play around with this
6 for a day or two or three and play with numbers might
7 be able to construct another definition of what the
8 subsidy is, and it would have different
9 characteristics.

10 The one we're talking about here has a
11 certain set of characteristics, and you can't say that
12 that entire amount is paid by elevating advertising
13 pound rates. I dealt with this over several pages.
14 These aren't short answers. I did it in several
15 different interrogatories, and you had some follow-ups
16 on it.

17 I have tried very clearly to map this out.
18 You have the spreadsheets that have been used for
19 several rate cases on this. I don't know what else I
20 can do to help you. I mean, I'm trying very hard.

21 Q Well, we established this morning that
22 editorial pounds paid no charge other than the flat
23 editorial pound charge.

24 A True by definition.

25 Q Right. So editorial pounds are not paying

1 for the difference between the advertising charges and
2 the flat editorial pound charge times --

3 A I mean, that's kind of true by construction.
4 That's an empty statement. It's true by definition
5 that the difference between somebody's final rate and
6 some advertising final rate isn't paid by the final
7 rate for editorial.

8 Q Sure. If there's a subsidized rate, the
9 subsidized rate doesn't cover the subsidy itself.

10 A But if there were no editorial benefit, the
11 advertising rates wouldn't be what are in the schedule
12 right now, so it's not that simple.

13 Q But that's not my question. My question is
14 simply the fact that editorial pounds do not pay for
15 the \$214 million, which represents the difference
16 between advertising and the editorial charge.

17 A Well, I have argued many times that in
18 effect they do. That's what I've tried to explain.

19 Q But they don't pay any additional amounts.
20 I understand you have some points about the derivation
21 of the editorial rate charge, but editorial pounds pay
22 no more than the flat rate. Is that correct?

23 A I think it's true by definition that you
24 can't pay any more than your final rate.

25 Q So is it true by definition that editorial

1 pounds don't pay any portion of the \$214.3 million
2 that represents the subsidy?

3 A No. I don't think that's a fair statement.
4 Fairness. I'm not sure it's an issue of fairness. I
5 don't think it makes sense logically. I don't think
6 it has meaning.

7 Q And again the \$214 million is the difference
8 between the advertising charge and the editorial rate?

9 A Shown in the way that you have described,
10 yes.

11 Q And that is the deficiency between the pound
12 charge and the --

13 MR. KEEGAN: Mr. Chairman, I want to object
14 at this point. You instructed Mr. Bergin to move on.
15 He has not moved on. He is still on the same
16 question.

17 CHAIRMAN OMAS: Yes. Would you move on, Mr.
18 Bergin, please?

19 BY MR. BERGIN:

20 Q Referring you to your response to McGraw-
21 Hill Interrogatory 43, in the second paragraph and
22 following you go on to point out that if there were no
23 flat editorial pound charge and there were no
24 editorial benefits at all in the periodicals pound
25 rates, then the resultant zone charges would be

1 reduced by I believe you calculate 4.92 cents.

2 A Yes.

3 Q And you arrive at that figure by dividing
4 total periodical pounds for the test year before
5 rates, 2001 I presume, by the \$214.3 million?

6 A Actually it's the inverse of that. Yes.
7 The \$214 million is divided by the total pounds.

8 You see, there's a fundamental problem here.
9 We have decided to get 101 percent coverage from
10 periodicals. If you decided to let the editorial
11 pounds pay the advertising rates, you would have too
12 much revenue, and the coverage would be over 101.3
13 percent.

14 Then you have to reduce all of the rates to
15 get the coverage back down to the designed coverage.
16 That's what this does.

17 Q Now, under this hypothetical rate structure
18 where there's no editorial benefit and you have
19 reduced zone charges and those charges apply to the
20 full weight of publications --

21 A Now, let's be very careful with the word
22 hypothetical. I enjoy hypotheticals to no end, but
23 this is in fact a rate structure which would occur if
24 in fact we didn't have the editorial benefit, so it's
25 not only hypothetical. It's practical and realistic

1 and could exist.

2 Go ahead. I'm sorry. I'll listen to the
3 rest of your question.

4 Q You point out that under this -- it is a
5 hypothetical rate structure that the zoned rates for
6 ADC and SCF would be lower than the current flat
7 editorial pound charge.

8 A Yes.

9 Q Now, this is an effect what occurs under
10 your proposed --

11 A No.

12 Q -- rate structure as well, is it not?

13 A No.

14 Q Under your proposed rate structure, for
15 example, the charge for SCF, if I'm correct, would be
16 16.6 cents per pound?

17 A Yes, but then the editorial would get the
18 10.1 cent per editorial pound discount, resulting in a
19 net figure which is different.

20 Q That would reduce the 16.6 by --

21 A 10.1.

22 Q Referring you to your response to McGraw-
23 Hill Interrogatory 44 --

24 A Okay.

25 Q -- that interrogatory refers to a 100

1 percent editorial publication entering its mail at the
2 SCF. I believe you confirmed that under the current
3 rate structure it would likely have a cost coverage
4 less than 100 percent. Is that correct?

5 A Okay. I have to catch up with you here.
6 You said 100 percent editorial? Did you say editorial
7 or advertising? I thought you said advertising.

8 Q No. Editorial.

9 A One hundred percent editorial entered at the
10 destination SCF. What's the question? Were you
11 reading my answer or --

12 Q Yes. I just wanted to establish that you
13 confirmed that that publication, 100 percent
14 editorial, entering at the SCF would have the cost
15 coverage of less than 100 percent.

16 A I think it probably would, yes.

17 Q Not covering its full cost?

18 A Well, I drew a number of schematics to try
19 to map out what was going on in your question, and I
20 found it difficult to make unequivocal statements all
21 inclusive of the kind that you wanted.

22 I went through a reasoning process, and I
23 think I concluded that what you said is probably true,
24 certainly given the fact that there is a per piece
25 editorial as well, which tends to lower the coverage.

1 Q Also, entry at the SCF would receive
2 discounts on the P side --

3 A Yes, it would.

4 Q -- as well as the pound side?

5 A Well, yes, but there's no difference between
6 how editorial and advertising are treated in respect
7 to those discounts that you have listed. If you're
8 talking about the per piece DSCF discount -- is that's
9 what you were talking about?

10 Q That is what I was referring to.

11 A That does not depend on the proportion of
12 editorial content.

13 Q Understood. Referring back to McGraw-Hill
14 Interrogatory 43 and your point that a 100 percent
15 editorial publication entering at the SCF would be
16 paying more under the current rates than it would
17 under your hypothetical regime with no editorial
18 benefits, it's true, is it not, that that publication
19 is not subsidizing any other mail if it has a cost
20 coverage likely below 100 percent?

21 A Using the traditional definitions of cross
22 subsidy, I think what you said is true, but I think we
23 need to be a little bit careful here. All of the
24 discussion about the development of the zones and the
25 payment of that editorial benefit were part of pound

1 rates.

2 At this point, when you shift to this other
3 question and you're talking about the cost coverage of
4 a publication entered somewhere, I'm thinking of the
5 total cost coverage, not just -- you know, I'm
6 considering both the per piece and the per pound
7 editorial benefit. Before we were only creating the
8 per pound.

9 The \$214.3 million has nothing to do with
10 the per piece editorial benefit. That's a whole
11 separate issue, probably another dozen
12 interrogatories.

13 Q Understood, but the point is, I mean --
14 well, I think you've answered the question. The 100
15 percent editorial publication entering an SCF with a
16 cost coverage below 100 percent is not subsidizing any
17 other mail.

18 A And I believe in part it's due to the per
19 piece editorial benefit because basically that's like
20 a Camp 1 publication.

21 We were talking about camps in a section of
22 my testimony to which your interrogatory referred.
23 Camp 1 would expect to be a reasonably high coverage
24 because it's entered locally, so we've got to take it
25 from that high coverage down below 100 percent.

1 In order to satisfy your question, the way
2 we take it down there is by putting in the editorial
3 benefit. There's not much per pound editorial
4 benefit, but there's some piece editorial benefits,
5 and I agreed that it would probably go below 100
6 percent, yes.

7 Q You referred to it as an adverse result.
8 This is in your response to McGraw-Hill Interrogatory
9 43.

10 A Yes.

11 Q That a 100 percent editorial publication
12 paying the flat editorial pound charge would be paying
13 more than if there were no editorial benefits,
14 assuming entry at the SCF. Is that correct?

15 A Yes, for a major portion of the volume. I
16 think that's a very strange situation where you say
17 you're special. You're editorial. We're going to
18 design a benefit for you. However, your rates are
19 going to be higher than they would have been
20 otherwise. I just find that to be very awkward.

21 Q That fact that you refer to could be
22 addressed by adding dropship discounts to the flat
23 editorial pound rate such as the Postal Service
24 proposed in 2001. Is that correct?

25 A My recollection is that the proposal in 2001

1 was limited to either below the DSCF or below the ADC
2 or maybe below Zone 1 and 2. There was a small amount
3 added to those.

4 Q Yes.

5 A But I don't understand the relationship
6 between. I mean, are you suggesting that if we took
7 the existing rate structure and we modified it in some
8 sense according to a Postal Service proposal which was
9 removed from the settlement, as I understand it, but
10 if we modified it that way and then we made up the
11 revenue from that that somehow the DSCF editorial
12 would not be paying higher rates with its benefit than
13 it would otherwise?

14 This is getting pretty much of a concoction
15 of layers here, and I'm losing my focus.

16 Q I'm asking if that would be a reasonable way
17 to address what you perceive to be a way to address
18 the concern you expressed with the fact that --

19 A Well, I don't think it's reasonable. You
20 said you're suggesting it would be reasonable, and I
21 said no, I don't agree with that.

22 Q In other words, it would be giving the 100
23 percent editorial publication that you referred to a
24 lower SCF rate than the flat editorial pound charge?

25 A I mean, it sounds like some sort of ad hoc

1 adjustment or quick fix, neither one of which often
2 has much going for it.

3 Q It would address your concern, would it not?

4 A Well, I think there are probably a number of
5 ways to arbitrarily jerry-rig the rate so that the
6 concern goes away. I think our whole complaint
7 suggests a reasonable way to do that.

8 Q Are there other ways?

9 A Well, I think if you take two or three
10 creative people and get them in a room, we could
11 probably think of a dozen ways.

12 You know, if somebody came in with a
13 proposed rate design that was a lot better than mine
14 I'd like to think that I'd look at it and salute it,
15 but I haven't seen that, and I don't know how to do it
16 any better than what I suggested.

17 Q The flow models reflecting Postal Service
18 cost upon which the proposed rates are based, they
19 were introduced by the Postal Service in the rate case
20 R-2000. Is that correct?

21 A I think that's right, yes. Witness
22 Stralberg did a lot of work on that model, but that
23 was the basis. It's a very detailed piece of work in
24 fact.

25 Q But the Postal Service didn't propose in

1 R-2000 the kind of deaveraging of regular periodicals
2 rates that you're advocating here, correct?

3 A I think that's correct.

4 Q Nor did the Postal Service do so in R-2001?

5 A I think that's also correct.

6 Q Isn't it fair to say that the Postal
7 Service, in approaching the type of problem that you
8 are concerned with, has taken a different approach in
9 terms of experimental discounts for copalletization,
10 pallet discounts, enhanced work share discounts?

11 A I think if you read the Postal Service's
12 response in the Copallet 2 case, they expressly say
13 that they do not intend for either one of the copallet
14 rates to be a substitute for any kind of fundamental
15 reform.

16 I think it's also well known in the postal
17 community that some further steps in the way of
18 fundamental reform have been worked on for several
19 years, which I think is a little too long to work on
20 it, but it's been in process at a very, very slow
21 pace.

22 Q And what's the reason for the slow pace?

23 A Well, my personal opinion is that they're
24 trying to get everybody to agree, and you can't make
25 any interesting changes if you want everybody to agree

1 to them. You can't make any worthwhile changes.

2 Q Is it your understanding that the Postal
3 Service is attempting to address the problems that
4 would arise from a fundamental restructuring of
5 periodicals rates in a measured way and see how they
6 could be dealt with without imposing undue increases
7 upon large numbers of periodicals mailers?

8 A I would hope that they are working seriously
9 on how to go about making meritorious changes.
10 Whether or not all of us would agree on exactly how
11 those changes should be made or not I'm not really
12 sure. They have indicated that they are working in
13 that direction.

14 Q Are you suggesting then that Complainants
15 lack confidence that that process which is underway at
16 the Postal Service would come to fruition at some
17 point in the near future, thus giving rise to the need
18 for this complaint proceeding?

19 A I personally didn't make the decision about
20 whether or not to proceed with this complaint
21 proceeding. I personally didn't select the timing. I
22 think the Complainants' case speaks for itself.

23 Q My question is asking for your understanding
24 of --

25 A My understanding is that we believe it's

1 time to move forward, and this is an effective way to
2 do it.

3 We also believe, of course, and I don't mean
4 to venture into making legal rulings, but I think
5 there is also a general feeling that we're so far from
6 being an appropriate set of rates that it borders on
7 being out of alignment with the Act or is in fact out
8 of alignment with the Act, but that's a separate
9 question which the complaint itself deals with and not
10 necessarily my testimony.

11 Q I understand that's your position. My
12 question was related to the fact that the Postal
13 Service with the same cross data has not made the type
14 of fundamental proposals that you have put forth here
15 and is in the process of considering what additional
16 measures might be necessary and what your
17 understanding is as to why Complainants felt it
18 necessary to preempt that process.

19 A Well, I take your question to be very
20 general. We think that the complaint proceeding
21 process is a suitable one for pursuing this interest.
22 We think that this arena over here at the Commission
23 is a suitable place for things to be aired in public,
24 for people to have an opportunity to comment, for
25 people to make their observations.

1 We think there's time to do it, so we are,
2 you know, part of this process. That's why we're here
3 today.

4 Q You don't believe that in the near future
5 the Postal Service would propose anything like the
6 type of fundamental changes that Complainants are
7 proposing here?

8 A Well, my opinion about what they're likely
9 to do doesn't qualify as expert testimony.

10 MR. KEEGAN: Mr. Chairman, I object to the
11 question. It asks for speculation on the witness'
12 part.

13 CHAIRMAN OMAS: Proceed, Mr. Bergin.

14 BY MR. BERGIN:

15 Q Mr. Mitchell, you propose in lieu of the
16 flat editorial pound charge a 10.1 cent per pound
17 discount for editorial pounds under the proposed
18 rates.

19 A Yes.

20 Q And this discount is calculated so as to
21 provide the same level of editorial benefit as
22 generated by the flat editorial pound charge under the
23 current rate structure?

24 A Yes.

25 Q Which is to say \$214.3 million?

1 A Please?

2 Q Which is to say \$214.3 million? Is that the
3 quantification?

4 A I think the 10.1 is basically equal to the
5 \$214.3 million divided by the number of editorial
6 pounds. It may be that there's a refinement or two
7 that came about in the process, but basically that's
8 what it is.

9 Q You give this in the form of a discount, so
10 there is a revenue leakage associated with that
11 discount that needs to be built into the rates that
12 would result in higher rates, higher zoned rates than
13 otherwise. Is that correct?

14 A Well, in effect you can leave the zone rates
15 where they are, and you can say that editorial will
16 pay those zone rates. Then you can give the 10.1
17 cents back, and then you are at the same coverage that
18 you started with. No further adjustments are needed.

19 Q But those zone rates have a component built
20 into them?

21 A I think --

22 Q Well, they have a component built into them
23 to cover editorial benefit. Is that correct?

24 A Yes.

25 Q In fact, in response to McGraw-Hill

1 Interrogatory 43 I believe you calculated that
2 component of the zoned rate, which is designed to
3 cover the editorial benefit, as 4.92 cents.

4 A I think the answer is yes, but, as we've
5 learned here this morning, one has to be very careful
6 with these statements so that if I saw it in writing I
7 would trace it through very carefully and make sure it
8 qualified properly.

9 Q If you need a moment to look at your answer,
10 you're free to do that.

11 A My difficulty was getting all of your
12 question to register in terms of the various numbers
13 that you were putting together.

14 Q I'm referring actually to the second
15 paragraph of your response to McGraw-Hill 43.

16 A The question is simply the 4.92 that you
17 referred to is a figure which could be used to reduce
18 all rates to give away the \$214 million, and instead
19 of doing that we have given a per pound editorial
20 benefit, so --

21 Q Understood. My question was simply whether
22 the 4.92 cents represents the component in the zoned
23 advertising charges, the component that is added to
24 the zoned advertising charges in order to fund the
25 editorial benefit.

1 A Since the 4.92 is derived by dividing by
2 total pounds instead of by advertising pounds, I doubt
3 if you can say that.

4 Q The 4.92 is a component of the advertising
5 charge as well as the editorial pound charge, correct?

6 A I think it says the 4.92 cents is the \$214.3
7 million divided by total pounds, not just advertising
8 pounds. This is on the fifth line of the answer in
9 the second paragraph.

10 Q Referring you to your answer to McGraw-Hill
11 Interrogatory 21.

12 A Okay.

13 Q You confirmed that under your proposed rates
14 with the editorial benefit given in the form of a 10.1
15 cents per pound discount, rather than a flat editorial
16 pound charge, that a relatively low cost mailers would
17 see a greater percentage benefit than relatively
18 mailers who pay a relatively high postage amount?

19 A Is that the end of the question? It says
20 please confirm that if a high zone mailer in current
21 total postage of 60 cents per piece prior to the
22 application in the proposed editorial pound discount,
23 while a low zone mailer incurred total postage of 25.

24 And each piece weighed one pound and was a
25 hundred percent editorial. The proposed editorial

1 pound discount would result in a greater than 40
2 percent reduction for the low zone piece, but less
3 than 17 percent in the high zone, and I confirmed
4 that.

5 And that has to do with the fact that
6 currently a Zone 8 piece is given a phenomenal benefit
7 in the flat editorial rate.

8 Q However, this phenomenon of giving a greater
9 percentage editorial benefit to low cost mailers
10 rather than high cost mailers would occur regardless
11 of the reason for the high cost of -- the high postage
12 cost for any particular mailer. Isn't that correct?

13 A I think that there was anything in here
14 about giving a greater percentage to a high cost or a
15 low cost mailer. I think it had to do with the zone
16 that they mailed in, and it was only on their
17 advertising pounds.

18 I did not understand your question when you
19 talked about high and low cost mailer.

20 Q I mean, isn't it -- McGraw-Hill
21 Interrogatory Number 21 doesn't refer to a editorial
22 percentage. It simply refers to costs, and one mailer
23 having a total postage of 60 cents per piece, and the
24 other mailer having a total postage of 25 cents per
25 piece.

1 A I don't think it refers to costs. I think
2 it refers to postage. It assumes -- usually when you
3 say costs, I mean postal service.

4 Q All right. Referring to postage.

5 A Okay.

6 Q And you have taken a one pound piece, and
7 you say that given the rates, suppose a Zone 8 cost 60
8 cents, or a postage of 60, and Zone 1 and 2 are
9 something close, page 25, and each one of them gets a
10 10.1 percent discount.

11 A Correct.

12 Q A 10.1 cent per pound reduction, and you are
13 saying this is a different percentage reduction for
14 each person?

15 A Yes. And I agreed with that, and I have
16 explained in my testimony why that is a reasonable way
17 to structure rates. In other words, I think if you
18 wanted to charge a Zone 8 piece a lot more overhead,
19 and if you are only charging a dollar instead of 60
20 cents, we would not be able to give them the same
21 percentage reduction to each one.

22 If we have a construction where there is a
23 system of designing rates and you are developing drop
24 ship discounts in effect, we have a system here that
25 does not accommodate the same percentage reduction in

1 each cell very well.

2 And I have explained in my testimony why
3 that is a bad alternative.

4 Q Basically, this would result in further
5 lowering of cost coverage for low cost mailers?

6 A I don't understand the low cost.

7 Q Well, referring to the 25 cent --

8 A Oh, for the low zone?

9 Q Yes.

10 A Well, I think that you just got through
11 pointing out a few moments ago when you looked at the
12 rate scales, you looked at the DSCF rate of 16.6 cents
13 a pound, and if you take 10.1 off of that, we are down
14 to 6.5.

15 So it looks to me like the low zone
16 editorial is giving a substantially low pound rate
17 under this proposal. I don't know what pound rate
18 they would give it if you developed some sort of a
19 scheme involving a percentage reduction in each zone,
20 and one could consider a percentage reduction in each
21 zone.

22 I have considered -- 20 years ago I
23 considered percentage reduction in each zone, and it
24 has a whole strand of bad characteristics, and I have
25 tried to explain those in my testimony. I don't think

1 it will work.

2 Q And under your proposal for the 10.1 cent
3 per pound discount, there is a shifting in the
4 distribution of the editorial benefit?

5 A Yes, there is.

6 Q Away from high cost mailers?

7 A Away from Zone A.

8 Q Well, high cost mailers in general. In
9 other words, Zone 8 or otherwise, and towards low cost
10 mailers?

11 A Well, I would say it is a shift to a more
12 balanced and reasonable way to provide the benefit. I
13 don't view it as just shifting from one mailer to
14 another. I didn't focus on what different mailers --
15 what I wanted them to wind up paying.

16 I focused on the reasonable way to recognize
17 costs, and a reasonable way to accommodate the mark-
18 up, and a reasonable way to give drop ship discounts,
19 and a reasonable way to give a benefit.

20 And so I think the -- as far as I am
21 concerned, the meritorious reference point is what we
22 proposed, and you are pointing out that relative to
23 the old scheme that my scheme has some unusual
24 characteristics.

25 Like under the old scheme, it is unusual.

1 Not my proposal. I am sorry if I am going to --

2 Q Please refer to your response to NNA
3 Interrogatory Number 21, please.

4 A Let me see. Okay.

5 Q Now, as I understand it, in this
6 interrogatory response, you are suggesting that if it
7 is appropriate to give a subsidy at all, and if you
8 were talking about a subsidy for an editorial matter,
9 that the subsidy should be tailored to meet particular
10 needs perceived, rather than providing a general
11 subsidy for a broad group in order to solve the
12 problems that only a few members of that group would
13 have. Is that a fair statement?

14 A Well, as soon as you ask the word should --
15 Well, you introduced it with the use statement and the
16 use statement is pretty important. If you decided to
17 give a certain kind of benefit, then it is important
18 to design the scheme so that the intended recipients
19 get the benefit and you don't give it to a wide range
20 of others.

21 That is basically what you said, and I think
22 you had the word if in your question. So I think that
23 you are right. Well, I mean, this question, this NNA
24 21, refers to Footnote 16 in my testimony, which
25 discusses particular issues. So that is the reason

1 that I responded with the example that I did.

2 Q And to the extent that the editorial benefit
3 is designed to promote the widespread dissemination of
4 periodicals mail, by assisting the PI Zone editorial
5 publications, then that purpose is certainly served by
6 the flat editorial pound charge, rather than the 10.1
7 cent discount that you proposed?

8 A I think you started out by saying to the
9 extent that it is designed to cause this widespread
10 dissemination to occur, I think the greater part of my
11 testimony, and certainly my appendix raises a question
12 about whether or not it does. and I don't think it
13 does.

14 So if it doesn't, then it doesn't make much
15 sense to say, well, we have designed it to do this. I
16 don't think that it accomplishes any effect, and I
17 think that the effect caused by program needs to be
18 part of the justification for that program.

19 Q But certainly the 10.1 cent per pound
20 discount that you propose does not address any issue
21 of the widespread dissemination of editorial content.

22 A Well, we have certainly used a substantial
23 benefit to editorial in a very balanced sort of way,
24 and I think the current skewing arrangement does not
25 have the effect of

1 making information available on a more widespread
2 basis than it would be otherwise. So I don't think
3 you can say that the 10.1 is in any sense defective.

4 CHAIRMAN OMAS: Excuse me, Mr. Bergin. Let
5 me interrupt. Are you at a point where we could sort
6 of break, and take our morning break now, and we will
7 come back about five minutes after 11:00?

8 MR. BERGIN: That will be fine, Mr.
9 Chairman.

10 CHAIRMAN OMAS: Is that okay with you?

11 THE WITNESS: Yes.

12 CHAIRMAN OMAS: Thank you. We will take a
13 break until five minutes after 11:00. Thank you.

14 (Whereupon, at 10:53 a.m., the hearing was
15 recessed and resumed at 11:10 a.m.)

16 CHAIRMAN OMAS: All right. Mr. Bergin,
17 would you like to continue? I'm sorry that I am five
18 minutes late.

19 BY MR. BERGIN:

20 Q Thank you, Mr. Chairman. Mr. Mitchell, with
21 regard to your proposed 10.1 cent discount for
22 editorial pounds, is it fair to say that that discount
23 would favor heavier weight now?

24 A Well, I guess for piece discounts, you are
25 seeing the same -- under our proposal as they are now.

1 Q But 10.1 does not favor -- I don't
2 understand how it favors heavier mail any more than
3 the current -- it is the same amount of money, and it
4 is given on the pounds. I don't understand how it
5 favors heavier mail any more than the current discount
6 does. What do you mean by the current discount?

7 A Well, with the current discount, we have a
8 flat editorial rate, and obviously if you are heavy,
9 then that benefit relative to advertising is larger.
10 It seems to me that the current rates have a benefit
11 for heavy pieces, too. I mean, if you conceive of a
12 one pound or two pound pieces of editorial going to
13 Zone 8, it seems to me that they get a miraculous
14 benefit. I don't know if there are any 100 percent
15 editorial pieces going to Zone 8 that are heavy.

16 It seems to me like they would have to have
17 an incredibly substantial reason for mailing to create
18 that much editorial.

19 Q Well, if we look at a four ounce piece of
20 mail, a hundred percent editorial, then it would
21 receive a 2.5 cent discount per piece under your
22 proposal.

23 A Yes, which is also what we receive under the
24 current rates in an average zone distribution.

25 Q Now, under your proposal the zoning rates

1 would be elevated by a component in order to fund the
2 editorial benefit; is that correct?

3 A Yes.

4 Q And that component from the editorial
5 benefit, I believe we calculated it at 4.9 cents? Is
6 that correct?

7 A I am trying to remember. Was it 4.92 or
8 something? I am trying to remember.

9 Q That was in your response to McGraw-Hill 43.
10

11 A The 4.92 was the possible reduction in all
12 pound rates if you had no editorial benefit built in?

13 Q Yes.

14 A Okay. Ask your question again?

15 Q Under your proposed rates for the zone pound
16 rates contain a component in the amount of 4.92 cents,
17 or comparable to 4.92 cents, in order to fund the
18 editorial benefit?

19 A I think, yes. They have the same component
20 as now. In other words, except for the percentage of
21 the revenue that comes from the pound rates in
22 general, the advertising pound rates are constructed
23 as now, and they cover the editorial benefit as now.

24 Q Mr. Mitchell, is it fair to say that for a
25 four ounce piece of mail, assuming under your proposal

1 a discount of 2.5 cents for editorial, that that
2 editorial benefit would be outweighed by the extra
3 amount that mailer pays in order to -- from the
4 editorial benefit?

5 A I don't think so, because I think that the
6 4.92 would be subtracted from my pound rates, and I
7 think it would be a choice of taking my pound rate
8 minus 10, or taking my pound rate -- my pound rate,
9 minus 10.1, which they would get under our proposal,
10 and my pound rate, minus 4.92, which they would get
11 under your suggestion.

12 So it seems to me like the pound rate, minus
13 10.1, is lower than the pound rate minus 4.92.
14 Assuming that I understand it.

15 Q Well, I am talking about a lightweight piece
16 that doesn't get -- that gets left with an editorial
17 benefit because of its lower weight, instead of 10.1
18 cents per piece if it were --

19 A Well, it is not per piece. It is per pound.

20 Q It is per pound, but if the particular mail
21 weighs a quarter of a pound, and it gets only 2.5
22 cents per piece discount.

23 A Well, yeah, and the 4.92 cents a pound,
24 applied to a quarter of a pound, is just over a penny
25 per pound.

1 Q But why would you reduce the 4.92 cents to
2 the light weight piece? I mean, isn't it fair to say
3 that although the light weight piece will incur a
4 lower zone charge, that that is because its
5 transportation costs are less, and not because there
6 is any less of a 4.92 cent component to a paper
7 editorial?

8 A I'm sorry, I don't follow you. I don't know
9 what you asked.

10 Q The four ounce piece of mail will pay a zone
11 charge that includes the 4.92 cent component for
12 editorial.

13 A And it is what, 10.1 less than that under
14 our discount?

15 Q My point is that for the lower piece of
16 mail, it gets a reduced editorial benefit that is more
17 than offset by the added amount it pays in the zone
18 charge in order to fund that benefit. It receives 2.5
19 cents.

20 A That is on a per piece basis.

21 Q Yes. And it pays 4.92 cents in order to
22 fund editorial benefit.

23 A You mean, why don't we say it pays 4.92 and
24 it gets a discount of 10.1. Doesn't that make it
25 better off regardless of the weight?

1 Q Well, if it is a heavier piece, that would
2 be the case.

3 A These are all on a per pound basis, and I
4 don't understand why the weight makes a difference.

5 Q The lower the weight, the lower the discount
6 in dollars and cents terms.

7 A When you express it on a per piece basis?

8 Q Yes.

9 A And then you have to express both the 10.1
10 and the 4.92 on a per piece basis.

11 Q Well, that is my question. Certainly the
12 zone charge that the piece pays is reduced if the
13 piece is wider. But my question is, isn't it fair to
14 say that the reduction in the zone charge for the
15 lighter weight piece reflects the lower transportation
16 cost incurred by the lighter weight piece?

17 It doesn't mean that there is any less of a
18 4.92 cent component in the zone charge in order to
19 fund editorial benefit.

20 A I didn't understand when you shifted to a
21 discussion of transportation. These benefits for
22 editorial are not cost based, and have no relation to
23 transportation costs.

24 Q Well, let me refer you to your response in
25 McGraw-Hill Interrogatory 41.

1 A Okay.

2 Q This interrogatory asks you to explain how a
3 23.8 cent amount, and just basically a component of an
4 amount added on to each zone charge, is recovered from
5 the DADC, DSCF, and DDU rates?

6 A It was added on before the discounts were
7 added on.

8 Q Right.

9 A And the discounts were negative.

10 Q You note in this interrogatory response that
11 the 23.8 cents is identical to all zones, and the per
12 pound portions of non-transportation cost avoidances
13 are subtracted from the DADC, the DSCF and DDU level.
14 Do you see that?

15 A Yes.

16 Q And then in the second to last sentence, you
17 state that it would be appropriate to view the removal
18 of non-transportation costs avoidances as you are
19 moving a portion of the non-transportation costs. But
20 not as you are moving any of the editorial benefits.

21 A Yes.

22 Q Is my understanding correct that you are
23 stating here that the cost avoidances, which are
24 deducted from the zone charge in order to arrive, for
25 example, at a DSCF charge, offsets transportation

1 costs, but they don't offset the component of the zone
2 charge that fund editorial benefits?

3 A Yeah, except that it might be non-
4 transportation.

5 Q All right. And so my further question is
6 whether by the same token when you are talking about a
7 lighter weight piece paying a lower dollars and cents
8 zone charge because of its light weight, is it fair to
9 say give the light weight as offsetting non-
10 transportation costs, rather than the 4.92 cent
11 component of the zone charge that fund editorial
12 benefits.

13 A I didn't understand. We might be able to
14 develop some schematics that attempt to trace these
15 costs. I tried to do that in my interrogatory
16 responses in effect, but going back to your original
17 question, which is something to do with the 4.92 and
18 the 10.1, and the quarter-ounce piece, and I don't
19 understand why the weight of the piece makes any
20 difference when these are all expressed on a per pound
21 basis.

22 And I can't follow what costs you are really
23 trying to trace and the dollars that you are trying to
24 move around.

25 Q Well, I will try just once more to simplify

1 it. It is not a question of tracing costs, because
2 the 4.92 cents doesn't reflect transportation and non-
3 transportation costs. A That's right. It is part of
4 the benefit.

5 Q That forms the benefit, and my question is a
6 lighter weight piece, assuming it is four ounces, that
7 piece would receive a 2.5 cent editorial discount
8 under your proposal, which would be more than offset
9 by the amount built into the zone charge, the 4.92
10 cents.

11 A The 4.92 cents on a quarter of a pound is
12 what, a one-and-a-quarter cents?

13 Q And my question is just as you suggested in
14 your response to McGraw-Hill Interrogatory Number 41,
15 it is not appropriate to consider the component
16 funding editorial benefits as reduced. It is more
17 appropriate to say that a reduction of the zone charge
18 for weight reflects transportation cost savings.

19 A There is a transportation or a non-
20 transportation built into the DSCF discount, but your
21 4.92 and your 10.1 are entirely associated with an
22 editorial benefit, there is no cross-over to
23 transportation or to anything else. And 4.92 cents
24 per quarter pound is approximately one-and-a-quarter
25 cents.

1 And the 10.1 you said is approximately 2-
2 1/2. So if you say that their rates were elevated by
3 1.1-1/4 in order to develop the rates, and then you
4 have a 2-1/2 cent discount, aren't they better off
5 with the 2-1/2 cent discount?

6 Q Let me refer you again to your response to
7 McGraw-Hill Interrogatory 41. In the second to last
8 sentence, you state that it would be appropriate to
9 view the removal of, quote, "C" as removing a portion
10 of the non-transportation costs, and "B", but matters
11 removing any other editorial benefit in "B".

12 And my question is why do you state that it
13 would not be appropriate for the removal of the costs
14 that you refer to as removing any of the editorial
15 benefits?

16 A Well, I guess the answer is that the 23.8
17 cents includes some non-transportation costs, and when
18 you purposely take out those through DSCF, then it
19 must be the non-transportation portion of the 23.8
20 that you removed. I don't know anything else to say.

21 Q You are suggesting in response to this
22 interrogatory that the lower DSCF charge nevertheless
23 pays the full 4.92 cent component for editorial
24 benefits?

25 A Yes.

1 Q And my question is it likewise fair to say
2 that the lower cost lightweight fees would pay the
3 full 4.92 cent component for editorial benefit?

4 A It is not 4.92 cents. It is 4.92 cents per
5 pound, and for a quarter-pound piece that is not a
6 whole lot.

7 Q Referring to McGraw Hill Interrogatory
8 35A, --

9 A Okay.

10 Q -- this interrogatory asks you to confirm
11 that for a 100-percent editorial periodical published
12 weekly, annual subscription for \$20, and having a
13 circulation net of \$5, it would be profitable to drop
14 a Zone 8 subscriber under the proposed rate structure
15 if it resulted in an increase of 10.1 cents of per
16 piece mail to Zone 8. Your response was "not
17 confirmed."

18 It would, in fact, be profitable to drop a
19 Zone 8 subscriber in the circumstance described. Is
20 that correct?

21 A Well, I found this to be a very strange
22 question. The context of my testimony and my model is
23 would it be profitable to drop a Zone 8 and keep the
24 others, and if that occurred, then there would be a
25 change in the distribution of information, but you've

1 created a situation where it's profitable to drop all
2 zones and go out of business. So, of course, it's
3 profitable to drop Zone 8, but I don't see that as a
4 meaningful thing to say.

5 Q How do you conclude that it would be
6 profitable to drop subscribers in all zones under
7 the --

8 A Go through the math. It's profitable to
9 drop Zone 8. It's profitable to drop Zone 7. It's
10 profitable to drop Zone 6. It's profitable to drop
11 every zone. You specified a circ. net. Go back to
12 the equation and look at it.

13 Q Isn't it true that periodicals receive
14 revenues in addition to subscription revenues?

15 A Yes, they do.

16 Q And we posited a 100-percent editorial, so
17 we're not talking about advertising, but there are
18 newsstand revenues. There could be revenues from data
19 bases and so forth. Do you agree with that?

20 A I certainly agree that there are newsstand
21 revenues and other types of revenues that play into
22 this. I don't see that they have much to do with the
23 zone distribution of your subscribers.

24 Q It is fact that under this scenario, and
25 this is just one example, a Zone 8 subscriber would be

1 making a negative contribution financially to the
2 revenues, assuming a rate increase under the
3 proposed --

4 A You set up so that every zone is making a
5 negative contribution. If you're going to start
6 pointing to extra revenues for trade shows and selling
7 of mailing lists, it seems to me, if you drop these
8 Zone 8 subscribers, you can't sell them on your
9 mailing list either, and you probably can't invite
10 them to a trade show. I mean, you could explore some
11 of these things if you wanted to, but I don't think
12 that refinements like that are going to change the
13 conclusion here.

14 Q Well, now this question assumed a 10.1 cent-
15 per-piece postage increase if mailed from Zone 8.
16 Presumably, that would contemplate lower increases to
17 lower zones. A lower zone mailer would not pay 10.1
18 cents.

19 A Well, when I worked on Item A, I laid out
20 the equation that it refers to in my text, and I
21 looked at all of the components, and I drew in numbers
22 for them. I went through a detailed review process.
23 I'm looking at your question now, and the end of the
24 question in Part A says, "if it resulted in an
25 increase of 10.1 cents per piece," so are we talking

1 about a one-pound, 100-percent editorial, presumably
2 it weighs a pound? How could it result in an increase
3 of 10.1. I remember putting in the circ. net of \$5.
4 I remember putting in the subscription rate. I
5 remember putting in 100-percent editorial. At this
6 point, I can't tell you that I remember focusing on a
7 sentence which talks about a result of an increase in
8 10.1 cents per piece. I'm not sure I understand where
9 that came from.

10 Q Well, this is a hypothetical, but if you
11 assumed that the increase was 10.1 cents per piece in
12 Zone 8, then it would follow logically that the
13 increases in lower zones would be less.

14 A The increase of 10.1 cents per piece -- this
15 is not per pound.

16 Q No. It assumes a one-pound piece.

17 A So it's an increase of 10.1 relative to
18 what?

19 Q To the current rates.

20 A I don't think that formula it refers to
21 has -- I don't know how to relate that to the
22 framework of the formula. I'm lost.

23 Q Isn't it true that for a 100-percent
24 editorial publication, under your proposed rates, the
25 rate increases would be higher in the higher zones

1 than in the lower zones?

2 A Yes.

3 Q So regardless of where the 10.1 cents-per-
4 piece savings in Zone 8 comes from, -- it could be an
5 arbitrary element of this hypothetical -- it would
6 follow that pieces mailed in lower zones could receive
7 a lesser increase under the proposed rate structure.

8 A The question refers to page 65, which
9 attempts to focus on a particular situation, and that
10 is --

11 Q Could you answer my question?

12 A No, I can't. I'm having a very difficult
13 time focusing on it. I don't understand it.

14 Q You do agree that under the proposed rate
15 structure, there would be greater increases in the
16 higher zones than in the lower zones.

17 A I think that's true, yes, if there are
18 increases at all.

19 Q Would you please refer to your response to
20 ABM 57?

21 A Okay.

22 Q Now, this interrogatory referred to the fact
23 that pound rates play a lesser role in the current
24 rate structure than they did prior to reorganization
25 and then asks whether the contribution to inefficiency

1 of a flat editorial rate has, therefore, declined
2 substantially. And you respond -- I don't know how
3 responsive it is, but you state that there is no
4 longer a need to subsidize higher-zone distribution.
5 In support, you go on to note that the spread between
6 Zone 1 and Zone 8 was 17 cents in 1970 and is
7 currently 30 cents. Can you explain to me how those
8 spreads that you refer to in your response to ABM 57
9 affect whether or not there is a need to subsidize
10 higher-zone distribution?

11 A Well, the spread is used directly in
12 calculating the additional postage for Zone 8, so it
13 seems like it's a relevant reference point for the
14 distribution. I mean, the spreads are very important
15 figures. They are the drop-ship discounts. They are
16 the things that mailers respond to.

17 Q The spread today is 30 cents, --

18 A Yes.

19 Q -- and the spread in 1970 was 11.8 cents.

20 A Yes.

21 Q How do you conclude from that that there is
22 no longer a need to subsidize higher-zone editorial
23 matter?

24 A Well, the question wanted to reach a
25 conclusion that contribution to inefficiency, whatever

1 that actually is, that the contribution to
2 inefficiency has declined, and I don't quite
3 understand clearly what contribution to inefficiency
4 is, but it's very clear to me that increases in
5 efficiency have to do with mailers making efficient
6 changes. The mailers are much more responsive to rate
7 differences now than they were in 1870, and these
8 responses are based on the differences.

9 Q So is it fair to say, then, that the spread
10 between Zone 8 and Zone 1, which is higher now in
11 terms of dollars and cents than it was in 1970, does
12 not provide any support for your statement that there
13 is no longer a need to subsidize higher-zone
14 distribution?

15 A No. I don't understand that statement.

16 Q Do these spreads support that statement that
17 there is no longer a need to subsidize higher-zone
18 distribution?

19 A I think I've shown with the spreads that
20 exist that mailers wouldn't respond by dropping higher
21 zones, and I think the subsidy for the higher zone was
22 for the purpose of keeping people from dropping them.

23 Q So this goes to the analysis in your
24 Appendix A, the analysis of ad revenue and whether
25 it's profitable on that basis to drop a Zone 8

1 subscriber.

2 A I think so. The question refers to page 11,
3 lines 19 to 22, and my recollection is that page 11 --
4 let me look back at page 11. The purpose of page 11,
5 I think, was to discuss why it is that eliminating the
6 flat editorial rate now would not cause the difficulty
7 that it might have in 1917, and the reference was to
8 the pound rates playing a substantially different role
9 than they did then. The rates at that time were 100-
10 percent pound rates, and now we have piece rates.

11 Q You're talking about 1917?

12 A Yes.

13 Q Your answer to ABM 57 is comparing 1970 and
14 1990. Are you saying there has been some material
15 change in that period relating to the spread between
16 Zone 1 and Zone 8 that affects whether there is a need
17 to subsidize widespread dissemination of editorial
18 content?

19 A So your question has to do with the fact
20 that the current spread is larger than in 1970;
21 therefore, we need to be more concerned about whether
22 or not mailers would drop Zone 8. I think, corrected
23 for inflation, it's probably not higher than it was in
24 1970.

25 Q Excuse me?

1 A I think, corrected for inflation, it's
2 probably not higher than it was in 1970.

3 Q What do you mean, "not harder"? What's not
4 harder?

5 A Not higher.

6 Q Not higher?

7 A In other words, I refer to the 30 cents
8 currently and the 11.8 cents in 1970, and I think you
9 said that because the 30 cents was larger than the
10 11.8, that you might have some reason to be concerned
11 that Zone 8 needed a subsidy.

12 Q Or didn't need a subsidy.

13 A I thought your suggestion was maybe that
14 they did.

15 Q Well, I'm asking you a question about your
16 answer to ABM 57, and you begin in your first
17 paragraph by stating, "There is no longer a need to
18 subsidize higher-zone distribution." That's a flat
19 assertion. And then in the next paragraph you go on
20 to discussion, compared to spread between Zone 8 and
21 Zone 1 today with the spread in 1970, and as you just
22 pointed out, the difference between those spreads
23 could be accounted for by inflation. I'm just asking
24 you whether there is a connection between your
25 response to ABM 57 that there is no longer, in your

1 view, a need to subsidize Zone 8 and your subsequent
2 discussion about the spreads between Zone 8 and Zone 1
3 in the zoned charges. Maybe there is not.

4 A I'm sorry. I got lost again.

5 Q Well, I'll repeat the question. You state
6 in your response to ABM 57 that there is no longer a
7 need to subsidize higher-zone distribution. It
8 appears that as a reason for that assertion by you,
9 you're referring to the difference in dollars and
10 cents between the spread among the zone rates in 1970
11 as compared with today. Is that correct?

12 A I think that the second paragraph, which
13 goes to the spreads, is more a response to the
14 question of efficiency than to the question of whether
15 or not there is any longer a need to subsidize it, and
16 I'm pointing out that since the question asked about
17 contribution to inefficiency, I wanted to point out
18 that the efficiency issue is very much related to the
19 zone differences, and I'm saying that we still have
20 substantial zone differences, and I'm saying that
21 mailers are in a position to react to those even more
22 than they were in 1917, and so I think that whole
23 paragraph goes more to the efficiency notion than to
24 whether or not someone would drop a higher zone.

25 Q Could you refer to your response, please, to

1 ABM 13?

2 A That's the one with the attachments.

3 Q Yes, and I'm referring to Attachment B on
4 page 3.

5 A Okay.

6 Q On page 3, paragraph 13, the final -- I
7 guess it's the second-to-last sentence, the last two
8 sentences: "In 1917, all of the editorial benefit was
9 on the pound rates, and the benefit was highly skewed
10 toward distance. Now, less than half the editorial
11 benefit is given in the pound rates, and this limited
12 portion is mildly skewed toward distance."

13 Doesn't that indicate that the degree of
14 what you refer to as skewing in the flat editorial
15 pound rate has declined over time to the point that
16 there is only a mild skewing under the current rates?

17 A Well, the fact that less than half is given
18 in the pound rates is due largely to the advent of the
19 per-piece editorial discount. So it doesn't have
20 necessarily to do with the fact that the role of the
21 pound rates is any different; it's just that another
22 layer has been added. But it's also true that in 1917
23 we were talking about a piece going to Zone 8 having a
24 total postage bill which is five times as much as the
25 total postage bill for something going to a closer

1 zone. That was a very, very, very big difference.

2 In the pound rates now, relative to that,
3 we're less skewed. I'm not saying the skewing that we
4 have now is insignificant or not meaningful. I think
5 it is significant, and I think it is meaningful, but
6 relative to the situation that was being proposed in
7 1917, we're dealing with an entirely different
8 situation here.

9 Q Now, any skewing in the current rates is
10 mild. Is that correct?

11 A It's mild relative to what was proposed in
12 1917. Congress had been charging one cent per pound
13 for stuff going to Zone 8, and a proposal was to
14 charge something like eight or nine cents a pound.
15 That means Zone 8 would have been -- I've calculated
16 these ratios before, but I remember coming up with
17 five to eight times as much to send a piece to Zone 8
18 as to Zone 1 and 2. We're not talking about that kind
19 of situation now.

20 Q The ratio today between Zone 8 and the flat
21 editorial pound rate would be lower than the ratio in
22 1970. Is that a fair statement?

23 A You want a ratio between Zone 8 and the flat
24 editorial rate. I think, in 1917 --

25 Q 1970.

1 A Okay. 1970. You want a ratio between Zone
2 8 -- I haven't got the 1970 rates in front of me.

3 Q I believe, in the response to ABM 57, you
4 indicated that the Zone 8 rate was 17 cents.

5 A I was talking about the total postage bill
6 in the ones I just gave you.

7 Q I'm not talking about 1917; I'm talking
8 about 1970.

9 A Okay.

10 Q The Zone 1 rate was 5.2 cents.

11 A Okay. And the Zone 8 was 17, so it was
12 about three times.

13 Q A little over three times.

14 A Right. And that would have been total
15 postage bill. That's right.

16 Q And currently?

17 A We're talking about 60 versus 20 right now,
18 but that's only the pound portion of the total postage
19 bill.

20 Q Well, in your response to ABM 57, you were
21 working with the proposed zone charges, I take it, not
22 the current zone charges because you've taken the
23 position in this case that the current zone charges at
24 the higher zones have been miscalculated and were
25 unduly high. Is that correct?

1 A In the settlement, yes, but this response in
2 57 says "in the current rates."

3 Q Yes, but you end up with a difference, a
4 spread, of 30 cents.

5 A Yes.

6 Q Now, the spread under the current rates is
7 more like 39 cents, isn't it?

8 A I'm sorry. In the current rates, the
9 corresponding difference is 30 cents. That goes to
10 the current rate schedule. Zone 1 and 2 is 24.8.

11 Q Zone 8 is 63.8

12 A Right. And if you take 63.8 minus 24.8,
13 what do you get?

14 Q I get 39 cents.

15 A Thirty-nine instead of the 30 that I have
16 here?

17 Q Well, if you look at the proposed rates, you
18 have a Zone 8 charge of 49.8 and a Zone 1 of 19.1
19 cent. The difference there is 30.

20 A Okay. I don't believe that I was looking at
21 proposed. I may have made a typographical error. I'm
22 not quite sure right now, but it wouldn't have been
23 appropriate to look at proposed. It would be 30.7 in
24 the proposed pound rates. Is that what you got?

25 Q Right. In the proposed zone pound rates, I

1 was doing to say they are the same as the current but
2 for the 30 percent revenue recovery as opposed to 40
3 percent. Is that right?

4 A But for what revenue recovery?

5 Q In other words, you're recovering only 30
6 percent of the total periodicals revenue from the
7 pound charges rather than 40 percent.

8 A Yeah, but that doesn't affect the
9 differences. It affects the levels only.

10 Q That's why I thought you might have been
11 using the proposed rates here rather than the current
12 rates and getting the spread. But in either event,
13 the percentage, the degree to which Zone 8 is higher
14 than Zone 1, it's lower than 3-to-1 currently under
15 either the current rates or the proposed rates.

16 A Well, you're looking at pound rates in this
17 paragraph only. In 1970, that's all there was was
18 pound rates. There weren't any piece rates, so in
19 1970 it was total postage bill.

20 Q Is it fair to say that the degree of
21 skewing, as you put it, has declined over time in
22 terms of the spread between --

23 A Yes, I think it has.

24 Q Is there any factor that's occurred since
25 1970 that -- any changed factor that affects the issue

1 of whether the flat editorial pound charge is an
2 appropriate device for promoting the broad
3 dissemination of periodicals?

4 A Well, I think the whole world has changed in
5 some sense. I mean, we've got a lot of testimony here
6 about the situation that we're facing and the
7 alternatives that mailers have. I was tempted to say
8 that in 1984 we took the markup off the zone
9 differences. That made a difference then, but the
10 markup now isn't very large. But I think that
11 mailers' ability to respond to rates is much different
12 now from what it was in 1970.

13 Q Why would that be?

14 A Well, mailers are much more sophisticated.
15 Trucking systems are much more sophisticated. Mailer
16 options for arranging their mail are much different.
17 The ability to plan and coordinate is much different.
18 The drop-ship software is a routine piece of software
19 in printing facilities now. That didn't used to be
20 the case. There's trends going on, things like co-
21 mailing. Co-mailing is not just for big people.
22 Little people can do a very effective job of putting
23 together pieces and lowering Postal Service costs.

24 Q Excuse me. I would like to just focus you
25 on the question which related to --

1 CHAIRMAN OMAS: Excuse me. Could you give
2 us an idea about how much longer you will need?

3 MR. BERGIN: I would hope to finish within
4 an hour or so, Mr. Chairman. It's hard to say. The
5 length of the examination depends upon the kinds of
6 answers one receives.

7 CHAIRMAN OMAS: All right. Well, why don't
8 we continue?

9 MR. BERGIN: Yes, Mr. Chairman.

10 CHAIRMAN OMAS: If you think you can in
11 about an hour, and if not, we'll break later on.

12 MR. BERGIN: Very good.

13 MR. KEEGAN: Mr. Chairman, the counsel for
14 McGraw Hill had just interrupted the witness's answer.
15 I believe the witness was being entirely responsive to
16 the question and would request that he be allowed to
17 finish his answer.

18 CHAIRMAN OMAS: Mr. Mitchell.

19 THE WITNESS: I guess I was in the process
20 of being concerned about whether I was going on at
21 great length when I shouldn't. Your question didn't
22 relate to a particular interrogatory or anything that
23 I have focused specifically on. It seemed to be a
24 very general question about whether or not anything is
25 different now from what it was in 1970 that would

1 affect the advocacy of the flat editorial rate, and I
2 guess I stepped backwards a little bit and was
3 beginning to think that the whole world is different,
4 but I'm not sure that I had a lot more to say that was
5 specific.

6 I think the last line was something about
7 co-mailing being something very effective that mailers
8 can do. When mailers, you know, have a technological
9 option and are well positioned to perform some
10 functions that can save the Postal Service an awful
11 lot of money, it's kind of a shame if we don't have a
12 rate structure which allows this to be done.

13 BY MR. BERGIN:

14 Q As you know, there are substantial questions
15 whether a substantial number of high-zone, smaller-
16 circulation periodicals will be able to take advantage
17 of co-mailing certainly in the near future. There may
18 be many publications facing very large increases under
19 the proposed rates, notwithstanding that co-mailing
20 may be available to some. In the past, the Commission
21 has approved a flat editorial pound rate in order to
22 ensure that such high-zone mailers --

23 MR. KEEGAN: Mr. Chairman, Mr. Bergin is
24 testifying, it seems. Does he have a question?

25 MR. BERGIN: Yes, I do.

1 BY MR. BERGIN:

2 Q In order to ensure that the widespread
3 dissemination of editorial matter is not adversely
4 impacted by high transportation costs, I take it that,
5 in this regard, nothing has significantly changed
6 since then that would affect that policy, in your
7 view.

8 MR. KEEGAN: Mr. Chairman, I object. That
9 is not a question.

10 BY MR. BERGIN:

11 Q Is that correct?

12 A I think we have been moving steadily on a
13 large number of fronts in a direction which suggests
14 that the flat editorial rate is not having any effect.
15 It's not resulting in information being anymore
16 widespread than it would be otherwise, and there is a
17 whole host of reasons why it's bad rate design to have
18 it the way it is. So I --

19 CHAIRMAN OMAS: Excuse me. May I ask both
20 counsel and the witness to be a little more concise,
21 succinct and precise, with the questions and the
22 answers? The chair would certainly appreciate that.
23 Thank you.

24 MR. BERGIN: I'll certainly endeavor to do
25 so, Mr. Chairman.

1 BY MR. BERGIN:

2 Q What changed factors give rise to your view
3 that the editorial pound charge is no longer
4 necessary?

5 A Well, I think my testimony discusses that at
6 great length, and I think my Appendix A, in
7 particular, points out the fact that no one would drop
8 a Zone 8 subscriber. We're talking about a marginal
9 printing cost here. We're talking about some
10 additional distribution, maybe some account
11 maintenance. That's not really a big issue relative
12 to the benefit of a subscriber.

13 Q A changed circumstance?

14 A I didn't attempt to -- assess the situation
15 20 years ago. So in that particular regard, I'm not
16 quite sure, but I think we've also listed a
17 considerable number of other factors that are
18 important. I think that things going on in the
19 industry, things mailers are doing, the kind of
20 technology that's being used, the kind of options that
21 people have, the ability to react to rates.

22 Q Referring to your answer to ABM
23 Interrogatory No. 66, --

24 A Sixty-six?

25 Q Yes.

1 A Yes.

2 Q Now this refers to your testimony that even
3 if zoning the editorial rate, eliminating the flat
4 editorial pound rate, did lead to an adverse effect on
5 Zone 8 subscribers if they were cut off, but,
6 nevertheless, you believe there is insufficient
7 justification for retaining the flat editorial pound
8 rate. Your justification is that, in your view, the
9 effect on cohesion of the nation would not be
10 significant. Is that a fair statement?

11 A That's what I said, yes.

12 Q You do not believe that periodicals today
13 play a lesser role in promoting cohesion in the nation
14 than they did before.

15 A Do I think they play a lesser role today? I
16 think the cohesion of the nation is affected by a very
17 wide range of factors, including radio, television,
18 the Internet, air travel, telephone, a whole string of
19 things. I think they have all moved in the direction
20 of increasing the cohesion of the nation. So I guess
21 if you look at dozens of cohesive forces, the
22 magnitude of the role that mail plays right now is
23 probably less, yes. I'm not saying it's unimportant,
24 and I'm not saying it's not real. I'm not saying that
25 when a publication is distributed, people don't read

1 it, or it doesn't have an effect, but your question
2 was much broader than that.

3 Q Are you suggesting that the congressional
4 policy in favor of promoting the widespread
5 dissemination of periodicals is less important today
6 than it was in the past?

7 A Do we have a congressional policy that talks
8 about widespread dissemination of periodicals?

9 Q The mandate in the Postal Reorganization Act
10 for bonding the nation together.

11 A I don't think that we are binding the nation
12 together any less under our proposal than we are with
13 the flat editorial rate, and I think we may be binding
14 it together more. We've certainly got a more
15 effective set of rates.

16 Q The question in ABM Interrogatory 66 assumes
17 that as a result of the proposed rates, Zone 8
18 subscribers would be dropped.

19 A Question 66 is introduced with an if
20 statement which says, if, in fact, this occurred, and
21 my testimony is that it will not. It says, if, in
22 fact, this occurred, that I don't think the cohesion
23 of the nation would be affected significantly, but I
24 don't believe it will occur, period.

25 Q Are you saying that even if it did occur,

1 that high-zone publications would be forced out of
2 business as a result of rate increases, or Zone 8
3 subscribers were dropped, that the nation is already
4 cohesive enough, and it wouldn't matter?

5 MR. KEEGAN: Mr. Chairman, I believe the
6 witness has answered that question twice now.

7 CHAIRMAN OMAS: Please continue in another
8 direction.

9 BY MR. BERGIN:

10 Q Referring you to your testimony at page 55,
11 you state periodicals mail is prepared using computers
12 and commercially available software. In using such,
13 inputs and constraints must be selected like sack
14 weight, pallet weight, bundle weight, and so forth.
15 You've introduced a variety of new factors that a
16 mailer would need to consider under your proposed rate
17 structure in terms of containers, sacks and pallets,
18 and bundles, and new entry points. Is that correct?

19 A That's correct.

20 Q Is my understanding correct that the lower
21 the container presort level under your rate structure,
22 the higher the bundle charge becomes?

23 A I think so. I would have to look back at my
24 rate schedule and compare some specific figures, but I
25 think that sounded right.

1 Q And yet while a lower presort level leads to
2 a higher bundle charge, it also leads to a lower
3 container charge.

4 A I think you're pointing out to tradeoffs
5 among the various rate elements. I'm willing to
6 accept that you've summarized them properly without
7 going through specific numbers.

8 Q And a higher bundle presort level leads to a
9 higher bundle charge but a lower piece charge. Is
10 that fair?

11 A A higher bundle presort level. I had higher
12 bundle presort levels here within each container
13 level. What was your specific comparison?

14 Q The higher bundle presort level leads to a
15 higher bundle charge but a lower piece charge.

16 A Higher presort level being more presorted?

17 Q Yes.

18 A Yes.

19 Q And yet it leads to a lower piece charge?

20 A Yes.

21 Q Again, tradeoffs between bundle costs and
22 piece costs?

23 A Yes. There's a number of tradeoffs like
24 that in this rate schedule.

25 Q Also service tradeoffs?

1 A Well, if you were here for some of the
2 previous cross-examination, previous interrogatories
3 on this issue, you know that that's an important,
4 outstanding question. Mailers, in fact, do sometimes
5 see a service difference. It's not clear that it
6 ought to exist, and it's not even clear that it does
7 exist as much as some people think that it does, but
8 it is true that sometimes they see a difference.
9 Certainly, in drop shipping they see a difference, but
10 I thought you were maybe referring to the sack or the
11 container level.

12 Q Is it fair to say that pallets generally
13 provide faster delivery than sacks?

14 A I don't have any specific basis for saying
15 that. I can't provide testimony on what those levels
16 are.

17 Q If you accept that, if you accept my
18 representation that there is some testimony to that
19 effect, in your view, if two mailers are paying the
20 same amount for different levels of service, are they,
21 in effect, paying different rates? In other words,
22 the mailer who pays the same amount in order to get
23 less service is actually paying more than the mailer
24 who pays the same amount in order to get more service?

25 MR. KEEGAN: Mr. Chairman, I object to that

1 question on the grounds that the witness is not an
2 expert in metaphysics.

3 MR. BERGIN: This is an economic question,
4 Mr. Chairman.

5 CHAIRMAN OMAS: Would you be a little more
6 specific? I asked you earlier to try to be a little
7 more precise in your questioning and Mr. Mitchell to
8 be a little more succinct in his answers. You tend to
9 be rambling, and we lose sight of what direction
10 you're going in.

11 BY MR. BERGIN:

12 Q Mr. Mitchell, one of the rate-making factors
13 under the Postal Reorganization Act that the
14 Commission considers in setting rates is the relative
15 value of mail to the recipient, considering the
16 service levels obtained. Is that correct?

17 MR. KEEGAN: Can counsel cite a specific
18 section of the statute for that proposition?

19 MR. BERGIN: I'm referring to Section 3622
20 of the act.

21 MR. KEEGAN: What part of that?

22 BY MR. BERGIN:

23 Q Part (b)(2). It stated, as a factor in
24 rate-making, "the value of mail service actually
25 provided for each class or type of mail service to

1 both the sender and the recipient." Are you familiar
2 with that?

3 A I'm familiar with that section, and I
4 believe it is applied very generally at the subclass
5 level. I believe we have extreme difficulties
6 applying it at any level below the subclass because we
7 don't not know anything about the value that mailers
8 place on these things, and I think that this is one of
9 the reasons why our rate proposal is a substantial
10 improvement, is because we give a set of signals to
11 mailers and allow them to consider the value that they
12 receive as they choose among those alternatives.

13 Q My question is, how service generally is
14 treated in rate-making. In other words, if a certain
15 category of mail is more costly but receives less
16 service, how should that be accounted for in the
17 rates?

18 MR. KEEGAN: Mr. Chairman, I object. That's
19 beyond the scope of the witness's testimony.

20 MR. BERGIN: I think the witness has
21 testified as to the value of service, and I don't
22 intend to prolong this avenue, but we do have
23 testimony regarding tradeoffs between service and
24 rates, and my question is how that should be reflected
25 in rate-making.

1 THE WITNESS: At the current time, the
2 Postal Service's service standards and our operating
3 standards don't differentiate between, let's say, one
4 sack and another sack or between a sack and a pallet.
5 So it's not clear that we even have some of these
6 service differences. If there are some in some
7 places, they ought to be fixed. I'm not prepared to
8 say -- my testimony doesn't propose any changes in the
9 way that's recognized except to give mailers some
10 control. I don't think I'm prepared to say anything
11 further on it.

12 (Pause.)

13 MR. BERGIN: Mr. Chairman, I believe I have
14 nothing further at this point.

15 Thank you, Mr. Mitchell.

16 CHAIRMAN OMAS: Thank you, Mr. Bergin.

17 Are there any other people wishing to cross-
18 examine Witness Mitchell?

19 MR. RUBIN: Yes. I have a brief question.

20 CHAIRMAN OMAS: Mr. Rubin.

21 CROSS-EXAMINATION

22 BY MR. RUBIN:

23 Q Mr. Mitchell, could you turn to your
24 response to McGraw Hill Interrogatory 29?

25 A Okay.

1 Q In Part B of the question you're asked for
2 the Zone 8 postage under current rates and proposed
3 rates, and you give one number in your response. Is
4 that for current rates or proposed rates?

5 A I have to tell you, in all honestly, I
6 reviewed this question the night before last very late
7 at night and reread it and thought about it, and there
8 is a slight problem, and it's the one that you
9 indicate. The 40.20 cents is under current rates, and
10 I noticed that the question does use the word
11 "proposed," but when I tried to figure out what the
12 question really meant under "proposed," I couldn't
13 figure it out. It can't be done. So that is a
14 current figure.

15 Q And you think you are not able to come up
16 with a number under the proposed rates.

17 A Well, if we started to do this for proposed,
18 I would have to make a whole string of assumptions
19 about pallet makeup and sack makeup and container and
20 entry point and so forth, and also it's shifted to
21 what, a one-pound piece? "Zone 8 postage under
22 current rates, including flat and proposed, with the
23 same relevant characteristics." It takes the New
24 Republic, and it shifts it to 100-percent editorial,
25 and it shifts it to one pound, and I thought, gee, the

1 comparisons here are going to be difficult, and I've
2 got to start making a whole string of assumptions that
3 I have no basis for. So I thought anybody that wants
4 to do that can do it themselves. They can put
5 together the assumptions and ask what the results are,
6 so I didn't really try to do anything under the
7 proposed rates.

8 MR. RUBIN: Okay. That's all I have.

9 CHAIRMAN OMAS: Thank you, Mr. Rubin. Is
10 there anyone else? Mr. Keegan, would you like some
11 time with your witness?

12 MR. KEEGAN: No, thank you, Mr. Chairman.
13 Time Warner, et al., has no follow-up.

14 CHAIRMAN OMAS: Okay. Mr. Mitchell, that
15 completes your testimony here today. We appreciate
16 your appearance and your contribution to the record.
17 You are excused.

18 THE WITNESS: Thank you.

19 (The witness was excused.)

20 CHAIRMAN OMAS: Before closing the record,
21 let us address additional designations. At this time,
22 I want to incorporate into our record additional
23 designated discovery responses. This includes both
24 designated institutional responses and designated
25 responses of witnesses who previously appeared.

1 I have handed the reporter two copies of
2 previously designated responses. This includes both
3 institutional responses of Time Warner, et al., and
4 the responses of Witness Stralberg, designated by the
5 American Postal Workers Union, AFL-CIO. I am also
6 handing the reporter copies of the institutional
7 responses to POIR No. 1, Question 2.

8 I direct that this material be admitted into
9 the record and transcribed.

10 (The documents referred to,
11 identified as Exhibit No. TW
12 et al., TW et al.-T2-1, POIR
13 No. 1, was received in
14 evidence.)

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Complaint of Time Warner Inc. et al.
Concerning Periodicals Rates

Docket No. C2004-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF TIME WARNER et al.
(TW et al.-)

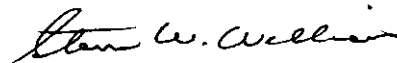
Party

McGraw-Hill Companies, Inc., The

Interrogatory

MH/TVG-1 redirected to TW et al.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Steven W. Williams".

Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
TIME WARNER INC, et al.
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

MH/TVG-1 redirected to TW et al.

Designating Parties

McGraw-Hill

Response of TV Guide Magazine Group, Inc. to MH/TVG - 1

MH/TVG-1: Referring to your response to Presiding Officer's Information Request No. 1, Question 2, that 98.79% of TV Guide copies are presently distributed on pallets, and that "[o]ver the past few months we have aggressively reduced our sacked mail, which has provided ... very little financial benefit to us," please explain fully (a) the reasons why less than 2% of TV Guide is sacked presently, (b) the reasons why TV Guide has "aggressively reduced ... sacked mail" in recent months, (c) how the usage of sacks by TV Guide has evolved over the past 10 years.

RESPONSE

(a) TV Guide's penetration within the marketplace allows us to utilize direct 3-digit and ADC pallets, which gives over 98% palletization to over 300 SCF's. On average, we have fewer than 15,000 copies that are past zone 2.

(b) We developed additional ADC pallets, which reduced labor at print sites and USPS facilities.

(c) TV Guide continues to stay proactive in identifying mail that is costly to both TV Guide and the USPS, which has allowed us to reduce sacks when possible. When we do utilize sacks, we try to maximize copies within those sacks to keep the number of sacks to a minimum. We do not maintain a sack and pallet report that reflects sack counts on a monthly basis, because sacks are such a small percentage of our delivery.

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

RECEIVED

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

COMPLAINT OF TIME WARNER INC. et al.
CONCERNING PERIODICALS RATES

Docket No. C2004-1

**DESIGNATION BY THE MCGRAW-HILL COMPANIES OF INSTITUTIONAL
INTERROGATORY RESPONSE FOR INCLUSION IN THE RECORD**

The McGraw-Hill Companies, Inc., through its undersigned counsel, hereby
designates the following institutional interrogatory response for inclusion in the record:

MH/TVG-1.

Timot
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Suite
P.O.
Wa
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/s/

En.

Apparatus
7/30/04

Response of TV Guide Magazine Group, Inc. to MH/TVG - 1

MH/TVG-1: Referring to your response to Presiding Officer's Information Request No. 1, Question 2, that 98.79% of TV Guide copies are presently distributed on pallets, and that "[o]ver the past few months we have aggressively reduced our sacked mail, which has provided ... very little financial benefit to us," please explain fully (a) the reasons why less than 2% of TV Guide is sacked presently, (b) the reasons why TV Guide has "aggressively reduced ... sacked mail" in recent months, (c) how the usage of sacks by TV Guide has evolved over the past 10 years.

RESPONSE

(a) TV Guide's penetration within the marketplace allows us to utilize direct 3-digit and ADC pallets, which gives over 98% palletization to over 300 SCF's. On average, we have fewer than 15,000 copies that are past zone 2.

(b) We developed additional ADC pallets, which reduced labor at print sites and USPS facilities.

(c) TV Guide continues to stay proactive in identifying mail that is costly to both TV Guide and the USPS, which has allowed us to reduce sacks when possible. When we do utilize sacks, we try to maximize copies within those sacks to keep the number of sacks to a minimum. We do not maintain a sack and pallet report that reflects sack counts on a monthly basis, because sacks are such a small percentage of our delivery.

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Complaint of Time Warner Inc. et al.
Concerning Periodicals Rates

Docket No. C2004-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF TW, CONDE NAST, NEWSWEEK, RDA, AND TV GUIDE

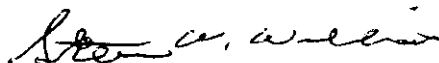
Party

United States Postal Service

Interrogatories

ABM/TW et al.-T3-2 redirected to TW et al.
MH/NW-1 redirected to TW et al.
MH/RDA-1 redirected to TW et al.
MH/TW-1 redirected to TW et al.

Respectfully submitted,



Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
TW, CONDE NAST, NEWSWEEK, RDA, AND TV GUIDE
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

ABM/TW et al.-T3-2 redirected to TW et al.

MH/TW-1 redirected to TW et al.

MH/RDA-1 redirected to TW et al.

MH/NW-1 redirected to TW et al.

Designating Parties

USPS

USPS

USPS

USPS

Response of Time Warner, Condé Nast, Newsweek, Reader's Digest, and TV Guide to ABM/TW et al.-T3-2, Redirected from Witness Gordon

ABM/TW et al.-T3-2 In light of your testimony concerning changes in the communications media and elsewhere since 1917, and your conclusion that zoning the editorial pound rate will not "cause the country to be divided by these zones," please provide a statement by each of the complainants (that is, individual statements by each of the five complainants) setting forth (a) whether that complainant believes that Periodicals should continue to be granted a postal rate preference to reflect the educational, cultural, scientific, and informational value of Periodicals' editorial content and (b) if so, setting forth all of the reasons why. Each statement should include the names and titles of the person or persons whose input it reflects, including the original drafter and any others that provided input.

RESPONSE OF TIME WARNER, CONDE NAST, NEWSWEEK, READER'S DIGEST, AND TV GUIDE

There is a clear distinction between Congress' establishment of an unzoned editorial rate and its later provision for considering the educational, cultural, scientific, and informational ("ECSI") value of Periodicals class mail. The unzoned editorial rate was enacted in 1917 when, after an intensive lobbying campaign led by big-city newspapers and magazines with national readerships, warning that zoned rates for periodicals might foster "sectionalizing tendencies," bring into being "a sectionalized press," divide the country into "sectional publishing zones in the East, Midwest and West" and, ultimately, transform it into "three distinct zones of thought and feeling,"¹

¹ See Docket No. R90-1, Rebuttal Testimony of Richard B. Kielbowicz on behalf of American Business Press (ABP-RT-3), at 10 (quoting objections of big city newspapers to zoned rates proposed in original version of the War Revenue Act of 1917); and Wayne E. Fuller, The American Mail, Enlarger of the Common Life (Chicago, Univ. of Chicago Press, 1972), p. 146 (same).

No candid account of the legislative history of periodicals rates in the 19th and the first half of the 20th centuries would deny that publishing industry lobbying, congressional fear of the power of the press to influence opinion, and the desire to use the Post Office "as a means of communication and of the dissemination of knowledge for a widely scattered population in a new country" all played important roles, or that the exact nature and relative importance of those roles is not entirely clear. With respect to the third of these factors, a careful and judicious postal historian has written:

This reason for low postage on all types of mail, but especially on newspapers and magazines, has been expressed countless times in postal documents. While one can conjecture that this may have been a very real purpose in an era of poor communications facilities, the exact form it took as an influence on postal rates is unknown.

[footnote continues]

Response of Time Warner, Condé Nast, Newsweek, Reader's Digest, and TV Guide to ABM/TW et al.-T3-2, Redirected from Witness Gordon

Congress chose to introduce zoning in the rate for advertising in periodicals but to retain the existing unzoned rate for editorial matter.

Witness Gordon has explained that the world is a different place from what it was when that law was written. Today, periodical publications are but one of many avenues to disseminate information, and the unzoned editorial rate has far less significance than it did in 1917. As a result, our proposed rates include zoning of the entire weight of the publication and, if implemented, will facilitate reductions in Periodicals class costs.

The recognition of ECSI value in Periodicals Class mail is an entirely different matter. This provision, § 3622(b)(8), was added to the law in 1976 as one of the ratemaking factors that the Postal Rate Commission must consider when making a recommended decision:

(b) Upon receiving a request, the Commission shall make a recommended decision on the request for changes in rates or fees . . . in accordance with the policies of this title and the following factors . . .

.....

(8) the educational, cultural, scientific, and informational value to the recipient of mail matter. . . .

Neither the legislative history nor the ECSI provision itself suggests or hints that "educational, cultural, scientific, and informational value to the recipient of mail matter" describes a value that depends upon the distance such matter is transported by the Postal Service. Nor does any other provision of the law under which the Commission recommends rates state that an unzoned editorial rate is required or

Jane Kennedy, United States Postal Rates, 1845-1951 (doctoral dissertation, Columbia University, 1955), at 34 (preceding quotation is from the same source).

Response of Time Warner, Condé Nast, Newsweek, Reader's Digest, and TV Guide to ABM/TW et al.-T3-2, Redirected from Witness Gordon

should receive favorable consideration, although elsewhere in the same legislation Congress required that rates for other categories of mail not vary with distance.² The absence of any necessary connection between the ECSI provision and the unzoned editorial rate is strongly reinforced by the conclusion of the court in *Mail Order Ass'n. of America v. United States Postal Service*, 2 F.3d 408, 436 (D.C. Cir. 1993) that § 3622(b)(8) provides no legal or policy justification for an unzoned editorial rate. .

The educational, cultural, scientific, and informational value that periodical publications provide today is no less than when § 3622(b)(8) was enacted in 1976. That provision is still in effect, and ECSI remains a factor that the Commission must consider in the exercise of its ratemaking authority. The sentiment of Congress regarding this policy has not changed and is reiterated in the postal reform legislation that is currently moving through both houses (S 2468 and HR 4341). It is obvious that Congress does not intend to alter the policy of recognizing the ECSI value of Periodicals class mail when setting postal rates.

We agree with the past and present judgment of Congress that Periodicals class mail should receive a rate preference in recognition of its educational, cultural, scientific, and informational value. The rates and the classification structure we propose would not diminish the recognition that the Commission has accorded to the ECSI value of Periodicals and, in fact, recognizes ECSI through both a per-piece and a per-pound discount for editorial content. Clearly, our proposal reflects a belief that ECSI remains an appropriate factor to be considered in the establishment of Periodicals class rates.

² E.g., 39 U.S.C § 3683 ("Uniform rate for books; films; other materials"); and § 3623(d) (requiring "one or more classes of mail for the transmission of letters sealed against inspection," and that "the rate for each such class shall be uniform throughout the United States").

Response of Time Warner, Condé Nast, Newsweek, Reader's Digest, and TV Guide to ABM/TW et al.-T3-2, Redirected from Witness Gordon

This statement was drafted by James O'Brien, Director of Distribution & Postal Affairs, Time Incorporated, assisted by and in consultation with:

Michael J. Clayton, Senior Vice President, Operations, T.V. Guide Magazine Group, Inc.

Timothy L. Keegan, Burzio & McLaughlin, Counsel for Time Warner Inc.

Alice Kijak, Vice President, Global Operations Shared Services, The Readers Digest Association, Inc.

Howard Schwartz, Executive Director of Distribution Sourcing & Postal Affairs, Advance Magazine Publishers Inc.

Jack Widener, Director of Distribution, Newsweek, Inc.

Response of Time Warner Inc. to MH/TW-1

MH/TW-1: Referring to Table TW-1 of the response of witness Stralberg to ABM/TW et al. – T1 – 3 (redirected), (a) please explain fully the factors that give rise to the projected increase in postage for *Time for Kids* under the proposed rate structure, and (b) please specify what changes, if any, would be made by Time Warner to alleviate such increase if the proposed rate structure were adopted.

RESPONSE

- (a) *Time for Kids* is mailed to teachers and their students. As a result, each individual classroom shipment is prepared as a firm bundle. The bundle charges contained in the proposed rate structure cause the majority of the increase. The balance of the rate increase is the result of limited drop shipping.
- (b) If the proposed rate structure were adopted, *Time for Kids* would attempt to improve its palletization levels and increase drop shipping. To improve palletization, we would attempt to co-palletize with other publications. This could result in a potential schedule change, depending upon the co-palletization schedule. In addition, we might need to change the printing location because our current printer does not offer co-palletization in the location that produces *Time for Kids*. Following co-palletization, *Time For Kids* would expand its drop shipping through pool shipping. It is our assumption that a schedule change would be required to make these improvements.

Response of The Reader's Digest Association, Inc. to MH/RD-1

MH/RD-1: Referring to your response to Presiding Officer's Information Request No. 1, Question 2:

(a) Please explain fully what you mean by "[i]mprov[ing] system capabilities at the fulfillment house to reduce the number of mailstreams;"

(b) Please explain fully what you mean by "expand[ing] mail-line functionality to reduce postal sacks while simultaneously expanding advertising options," and explain

the nature and extent of the capital investments that you contemplate pursuing with printers in order to achieve those ends;

(c) Please explain fully what you mean by "[m]odify[ing] multiple periodical closing schedules ... in order to optimize distribution objectives;"

(d) Please explain fully what you mean by "[a]nalyz[ing] paper basis weight purchasing options to favorably impact dropship incentives."

RESPONSE

(a) Improving system capabilities refers to the investigation, evaluation, and implementation of software enhancements to merge mail streams.

(b) Expanding mail-line functionality refers to the investigation, evaluation, and implementation of upgrading: adding a controller, imaging heads, hoppers, and conveyors to the mail-line. Capital investments are dependent on the degree of projected cost-based benefits versus equipment costs and depreciation.

(c) Modifying multiple periodical closing schedules refers to the adjustment and alignment of multiple periodicals' milestones and due dates (i.e. ad/edit close dates, name selection, newsstand on-sale dates, etc.) such that co-mailing and co-palletization opportunities are optimized.

(d) Analyzing paper basis weight purchasing options refers to evaluating the impact of increasing or decreasing the current basis weight, depending on

Response of The Reader's Digest Association, Inc. to MH/RD-1

the projected cost-based benefits, freight charges, and
subscriber/customer impact.

Response of Newsweek to MH/NW-1

MH/NW-1: Referring to your statement on page 2 of your response to Presiding Officer's Information Request No. 1, Question 2, that there is little incentive under the current rate structure to switch from sacks to pallets, please explain fully the reasons why less than 1% of Newsweek is sacked presently, and how the usage of sacks by Newsweek has evolved over the past 10 years.

RESPONSE

Newsweek has made a conscious effort to minimize the number of sacks that we produce in an effort to streamline the manufacturing operation. Over the past 10 years there has been a slight decrease in the number of sacks.

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Complaint of Time Warner Inc. et al.
Concerning Periodicals Rates

Docket No. C2004-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF TW, CONDE NAST, NEWSWEEK, RDA, AND TV GUIDE
WITNESS HALSTEIN STRALBERG
(TW et al.-T-2)

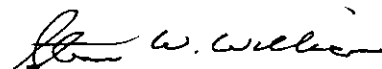
Party

American Postal Workers Union,
AFL-CIO

Interrogatories

APWU/TW et al.-T2-1

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steven W. Williams".

Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
TW, CONDE NAST, NEWSWEEK, RDA, AND TV GUIDE
WITNESS HALSTEIN STRALBERG (T-2)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

APWU/TW et al.-T2-1

Designating Parties

APWU

Response of Witness Stralberg to APWU/TW et al.-T2-1**APWU/TW et al.-T2-1**

On pages 17 and 18 of your testimony, you discuss the reasons for the development of LR-I-332 and your participation in that process. The PRC's rules for complaints (§3001.83 (c)) require that all complaints include copies of all correspondence or written communications between the complainant or his/her agent and the Postal Service which relate to the subject matter of the complaint. Please provide all written correspondence between the parties of this complaint and the Postal Service related to Periodicals cost and rate issues of which you are aware.

RESPONSE

I am neither a complainant nor a representative of any complainant. Nor am I aware of any written communications between the complainants and the Postal Service which relate to the subject matter of the complaint.

Response of Time Warner Inc. to POIR No. 1, Question 2POIR 1, QUESTION 2

TW et al.-T-1, at page 17, in discussing various mailing-related practices states: "It is not reasonable to expect publishers, or printers, or anyone else to consider costs that do not affect their bank accounts." Please describe, and quantify to the extent possible, how the proposed rate schedule might alter the mailing profiles of (a) Sports Illustrated for Kids; (b) Reader's Digest (the magazine); (c) Vogue; (d) TV Guide; and (e) Newsweek. Please fully explain any assumptions underlying your descriptions.

RESPONSE OF TIME WARNER INC.

A) Sports Illustrated for Kids (SIFK) would most likely alter its mailing profile as follows if the proposed rate schedule were implemented:

- 1) Today's rate structure does not provide an incentive for mailers to maximize drop shipping, since only a portion of the magazine's pound rate is zone based. If the pound rate were zoned for the entire weight of the magazine, SIFK would expand its number of entry points. Today, its main file is distributed through the Quad Graphics pool to 194 entry points. If the proposed rates were implemented, Time Inc. and Quad Graphics would perform an entry point analysis to determine if additional entry points could be opened. This analysis would focus on the differential between the rate reduction that could be achieved by going to any additional entry points and the increased transportation costs that would be incurred in doing so. If the analysis yields a net savings, additional entries will be opened.
- 2) In Docket No. R2000-1, James O'Brien submitted testimony on behalf of the Alliance of Nonprofit Mailers, American Business Media, Coalition of

Response of Time Warner Inc. to POIR No. 1, Question 2

Religious Press Associations, Dow Jones & Company, Inc; The McGraw-Hill Companies, Inc; the National Newspaper Association, and Time Warner Inc. In this testimony he described the conclusions of a Mailing Industry Task Force (MITF). Two of the MITF's conclusions relate to presort parameters and the way that mailers prepare their products, namely Issue 2: Optimization of containerization can help reduce costs, and Issue 15: The Periodicals rate structure should be reviewed to ensure that it is consistent with the overall Periodicals processing strategy and induces appropriate mailer behavior.¹ SIFK would reconfigure its presort parameters to increase the number of pallets and reduce the number of sacks it deposits into the mail system. These parameters reside within the postal sortation system at Time Customer Service. The exact changes in the parameters would be determined by a computer analysis of the comparative effects of the universe of possible individual changes to minimum bundle sizes and pallet weights.

- 3) Under the existing rate structure, SIFK does not participate in co-mailing and drop shipping of its supplemental mailings, because it is not cost effective. If the proposed rates were implemented, SIFK would co-mail its

¹ Docket No. R2000-1, Direct Testimony of James O'Brien On Behalf Of Alliance of Nonprofit Mailers, American Business Media, Coalition of Religious Press Associations, Dow Jones & Company, Inc., Magazine Publishers of America, Inc., The McGraw-Hill Companies, Inc., National Newspaper Association and Time Warner Inc. (TW-T-2), Tr. 24/11173-74 (pp. 5-6), 11189 (p. 21).

Response of Time Warner Inc. to POIR No. 1, Question 2

supplemental mailings to reduce sacks, improve presort, and shift as many of these copies as possible from a plant entry to a remote entry closer to the destination.

- 4) For the reasons cited in item #2 above, SIFK would also investigate the potential to co-mail its main file run to reduce sacks, improve presort, and increase drop shipping.

Response of Condé Nast to POIR No. 1, Question 2POIR 1, QUESTION 2

TW et al.-T-1, at page 17, in discussing various mailing-related practices states: "It is not reasonable to expect publishers, or printers, or anyone else to consider costs that do not affect their bank accounts." Please describe, and quantify to the extent possible, how the proposed rate schedule might alter the mailing profiles of (a) Sports Illustrated for Kids; (b) Reader's Digest (the magazine); (c) Vogue; (d) TV Guide; and (e) Newsweek. Please fully explain any assumptions underlying your descriptions.

RESPONSE OF CONDE NAST

It is our belief that the proposed rate schedule would allow us to initiate comailing of Vogue's supplemental copy mailings. These mailings are currently mailed by themselves (no comailing currently performed as we do for Vogue's mainfile copies) and are all entered at the printers mailing facility in Flora IL.

Our supplemental mailings are our least sophisticated mail as they are not drop shipped, not carrier routed and much of the mail is prepared in sacks.

The rate incentives offered by the proposed rates would allow us to convert these smaller mailings into something more comparable to the characteristics of our large monthly mailing of Vogues mainfile copies.

This would result in more pallets, fewer sacks , mail entered much closer to destination at lower cost .This would also result in better service to our newest subscribers.

Though the question asked pertained to only Vogue the same response could be given for almost all of our consumer magazine titles .

Response of Newsweek, Inc. to POIR No. 1, Question 2POIR 1, QUESTION 2

TW et al.-T-1, at page 17, in discussing various mailing-related practices states: "It is not reasonable to expect publishers, or printers, or anyone else to consider costs that do not affect their bank accounts." Please describe, and quantify to the extent possible, how the proposed rate schedule might alter the mailing profiles of (a) Sports Illustrated for Kids; (b) Reader's Digest (the magazine); (c) Vogue; (d) TV Guide; and (e) Newsweek. Please fully explain any assumptions underlying your descriptions.

RESPONSE OF NEWSWEEK, INC.

Newsweek would look at several areas to alter our mailing profiles:

Point of Entry

Though impossible to estimate the quantity at this time, additional entry points would be opened for several reasons.

First, as a result of the total weight of the magazine being based on zoned rates, additional reductions in cost would be realized the deeper the magazines are entered into the postal delivery network.

Secondly, the per pallet and sack costs are reduced when they are entered into the facility that processes that pallet or sack.. An example would be a SCF pallet entered into its DSCF.

Together these reductions in cost would be used to offset the additional truck cost to deliver the magazines to the new entries which allows us to then claim the destination entry pallet and SCF piece discounts.

Response of Newsweek, Inc. to POIR No. 1, Question 2Number and Type of Containers

We believe we would realize a *reduction in the number of sacks and pallets and more mail being delivered directly to the postal facility that processes it.*

Since each sack or pallet used would have a cost assigned to it, our goal would be to reduce as many sacks and pallets as possible and make the lowest cost sacks and pallets possible. The current rate structure offers little incentive to do this.

As an example, we can now can drop an SCF pallet into an ADC with little negative cost impact.. Under the proposed rates we would pay more for that SCF pallet to be dropped at that ADC. As a result we would examine the possibilities of either trucking that SCF pallet to the DSCF or eliminating the SCF pallet, and making an DADC pallet and continuing to drop at that ADC. These rates give the publisher *incentive to make up and deposit magazines according to how and where the Postal Service processes it.*

Even though less than 1 % of Newsweek is sacked we would try to find ways to eliminate those remaining sacks. As stated above there is presently little incentive to do this but under the proposed rates the cost to use sacks will be expensive when *compared to pallets.*

Additional Zip Plus Four Coded Addresses

As a result of the reduction in the carrier route rate we would try to increase the number of copies that qualify for this rate. Since very few addresses can be carrier route coded without a zip plus four code, our first step would be to improve the quality of the address so that a zip plus four code can be appended. This would

Response of Newsweek, Inc. to POIR No. 1, Question 2

also have a positive effect on first class and standard as these addresses are used to send out invoices, promotions and renewals.

Number of Mail Streams

There are times when we segment our mail list to meet the needs of our circulation group or advertisers. These are usually small quantities that will pay more postage under the proposed rates. Our goal would be to minimize any segmentation of the mail stream by reviewing those programs, and using manufacturing technology to maintain a single mail stream as much as possible.

In conclusion, this new rate structure gives publishers incentives to examine their mail preparation in great detail. The result being more magazines will be prepared in the most efficient manner for the Postal Service to handle, and more will be delivered directly to the facility where they should be processed.

Response of Reader's Digest Association, Inc. to POIR No. 1, Question 2POIR 1, QUESTION 2

TW et al.-T-1, at page 17, in discussing various mailing-related practices states: "It is not reasonable to expect publishers, or printers, or anyone else to consider costs that do not affect their bank accounts." Please describe, and quantify to the extent possible, how the proposed rate schedule might alter the mailing profiles of (a) Sports Illustrated for Kids; (b) Reader's Digest (the magazine); (c) Vogue; (d) TV Guide; and (e) Newsweek. Please fully explain any assumptions underlying your descriptions.

RESPONSE OF READER'S DIGEST ASSOCIATION, INC.

Any modification in rates would cause a prudent business to review every aspect of its operational business model in order to optimize results. This is particularly so with respect to the proposed rate schedule, where postal processes have a direct correlation to postal rates charged. The following action plans would be instituted not only for Reader's Digest magazine but also for all of the 17 other Periodicals titles currently published by RDA:

- Optimize drop-ship program. Coordinate activities between the fulfillment house, printer, and third-party logistics provider to enhance the drop-ship program, recognizing zoned editorial incentives. Open additional SCF entry points where appropriate. Depending on size of incentives, DDU delivery may be possible.
- Improve system capabilities at the fulfillment house to reduce the number of mail streams, thereby improving sortation levels, increasing palletization, and reducing postal sacks.

Response of Reader's Digest Association, Inc. to POIR No. 1, Question 2

- Accelerate a co-palletization program to encompass all Periodicals titles in an effort to further eliminate postal sacks and maximize drop-ship opportunities.
- Partner with printers to develop capital investment strategies to expand mail-line functionality to reduce postal sacks while simultaneously expanding advertising options.
- Expand co-mailing operations. Modify multiple periodical closing schedules where appropriate in order to optimize distribution objectives.
- Analyze paper basis weight purchasing options to favorably impact drop-ship incentives.

Response of TV Guide Magazine Group, Inc. to POIR No. 1, Question 2POIR 1, QUESTION 2

TW et al.-T-1, at page 17, in discussing various mailing-related practices states: "It is not reasonable to expect publishers, or printers, or anyone else to consider costs that do not affect their bank accounts." Please describe, and quantify to the extent possible, how the proposed rate schedule might alter the mailing profiles of (a) Sports Illustrated for Kids; (b) Reader's Digest (the magazine); (c) Vogue; (d) TV Guide; and (e) Newsweek. Please fully explain any assumptions underlying your descriptions.

RESPONSE OF TV GUIDE MAGAZINE GROUP, INC.

- 1) In the current environment it is not cost effective for TV Guide to go directly to the DDUs. DDU delivery would reduce our current average rate of .1583 cents per copy by only an estimated .022 cents. Our cost for this additional DDU delivery would far outweigh the benefits. Currently, we distribute 98.79% of our 6,601,000 copies on pallets, of which 5,853,000 go directly to 228 SCFs. In the new proposed environment we would get a deeper discount for DDU delivery, which would allow us to deliver the pallets directly to the DDU.
- 2) Over the past few months we have aggressively reduced our sacked mail, which has provided a substantial benefit to the Postal Service but very little financial benefit to us in return. The current rate structure provides little incentive to reduce sacks, even though it would give relief to USPS. In the new proposed changes we would see an incentive to reduce sacks.

1 CHAIRMAN OMAS: Are there any additional
2 designations of institutional responses?

3 MR. KEEGAN: Mr. Chairman, this is not an
4 additional designation, but we do have one correction.

5 CHAIRMAN OMAS: Would you introduce yourself
6 for the record, please?

7 MR. TABBITA: Phillip Tabbita for the
8 American Postal Workers Union. I want to make sure,
9 Mr. Chairman, that APWU-TW-ET AL.-T1-4 and 5 are
10 designated. They were received yesterday.

11 CHAIRMAN OMAS: Okay.

12 MR. TABBITA: And it prompted a follow-up
13 conversation with Mr. Keegan that I would like to get
14 on the record as well, and I think we can do that
15 through a stipulation or a confirmation orally. On
16 page 5 of T1-4, there is a statement concerning Mr.
17 Potter and later a statement concerning Ms. Bizota,
18 indicating that the Postal Service does not view
19 complaints favorably. And I questioned Mr. Keegan
20 about that because it wasn't my observation of the
21 Postal Service as hostile to complaints; in fact, they
22 prefer to get complaints and resolve them. So I
23 wanted a clarification that this refers only to the
24 formal filing of a complaint here before the Postal
25 Rate Commission, and Mr. Keegan confirmed that.

1 CHAIRMAN OMAS: Thank you.

2 MR. KEEGAN: Mr. Chairman, I do so confirm,
3 and we will so stipulate.

4 CHAIRMAN OMAS: All right. Thank you, Mr.
5 Keegan. Thank you, sir. Would you hand those to the
6 reporter?

7 Mr. Keegan, do you still have something you
8 want to --

9 MR. KEEGAN: Yes, Mr. Chairman. In the
10 institutional response to ABM/2W-ET AL.-T3-2
11 redirected from Witness Gordon, on page 3 there was a
12 typographical error. Four lines from the bottom, the
13 word "through" is missing its opening T, and I have
14 with me two corrected pages which I would ask be
15 incorporated into the transcript.

16 CHAIRMAN OMAS: Without objection. That
17 material is received into evidence and is to be
18 transcribed into the record.

19 (The documents referred to,
20 identified as Exhibit No.
21 APWU/TW et al.-T1-4, APWU/TW
22 et al.-T1-5, ABM/TW et al.-
23 T3-2, was received in
24 evidence.)

Institutional Response of Time Warner Inc. et al. to APWU/TW et al.-T1-4

APWU/TW et al.-T1-4. To the extent that you cannot answer any part of this inquiry, please refer it to someone who can. Please refer to your response to APWU/TW et al.-T1-2.

a). Can we assume that none of the complainants in this case had any written communications from or to Postal Service officials concerning subjects raised in this complaint, whether or not the correspondence was in the form of a formal complaint? If not, please provide copies of the correspondence.

b) You provide a general description of the type of forums in which various complainants have participated and where discussions of issues raised in this complaint may have been raised. You suggest that these forums are a matter of public record. Other than Commission proceedings, please provide a list of all forums in the last five years at which any of the complainants have raised the subjects of this complaint. For each, provide copies of any agendas, minutes, presentations, etc. or provide citations to such documents and provide the names of complainants and postal officials in attendance.

c) Please provide a list of any private meetings any complainant may have had with postal officials in the last five years during which issues raised in this complaint were discussed – even if the issues were not raised as a formal complaint, but perhaps raised as a matter of rate design or product redesign. For each meeting, provide the date, people in attendance, the issues discussed relevant to this complaint, any agreements or understandings reached – including agreements to study issues or continue to discuss issues. If the meetings generated written documents relevant to the issues in this complaint, provide copies of the documents.

RESPONSE

a) Your question asks about "any written communications from or to Postal Service officials *concerning subjects raised in this complaint*" (emphasis supplied). That formulation could be construed so broadly as to take in virtually every aspect of Periodicals rates and classifications, costing methodology, and rate design, and as to extend indefinitely into the past. So construed, it might encompass, for example, nearly every communication between Time Inc. management and Postal Service management since the passage of Reorganization in 1970.

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For the purposes of this response, we will construe your question as seeking information about "correspondence or written communications between the complainant[s] . . . and the Postal Service . . . *which relate to the subject matter of the complaint*" within the meaning of section 83(c) of the rules of practice, and we will assume that the term "subject matter of the complaint" in rule 83(c) includes both the jurisdictional basis for this proceeding--i.e., the failures of the current rates, adopted in R2001-1, to adequately conform to the policies of the Act, such that Commission jurisdiction over this complaint lies under § 3662 of the Act-- and the substantive gravamen of the complaint--i.e., the position that what has been variously described as "cost-based rates," "bottom-up pricing," a "rate grid," or "cost-based rate incentives for more efficient mailer practices" are necessary to the achievement of the fundamental objectives and policies of the Act.

So construed, the answer to subpart a) is that none of the complainants has had any such written communications or correspondence.

- b) Your question asks about "forums in the last five years at which any of the complainants have raised the subjects of this complaint." For purposes of this answer, we will construe the words "the subjects of this complaint" as synonymous with the words "subjects raised in this complaint" in subpart a).

Yet that limitation by itself is insufficient to bring subpart b) within a manageable compass. For example, Time Warner's testimony and briefs in every omnibus postal rate case since at least Docket No. R87-1 have expressed essentially the same general views as are expressed in the complaint concerning the need for cost-based rates to provide mailers with incentives for more efficient mailing practices. Mr. O'Brien is the Director of

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Distribution and Postal Affairs for Time Incorporated. His advocacy of "cost-based rates," "bottom-up pricing," a "rate grid," "rate incentives for more efficient mailing practices," etc., is probably what he is most identified with in the mailing community. He has espoused that position on Time Warner's behalf in formal written and oral testimony to this Commission and to the President's Commission on the Postal Service.¹ But he has also espoused it informally many times and in various settings over the past several years, *during which time he has served as a member of the joint USPS/Industry Periodicals Operations Review Team and the MTAC (Mailers Technical Advisory Committee) Package Integrity Task Force, as Chairman of the Postal Committee for the Magazine Publishers of America, and as Chairman of the Postal Policy Committee and a member of the Executive Committee and Board of Directors of PostCom, and has "visited numerous printing plants, lettershops, freight forwarders and consolidators, U.S. Postal Service facilities, foreign posts, and Postal Service competitors, such as Federal Express."*²

We have therefore construed subpart b) as requesting information regarding either formal or substantial statements by complainants in forums where *Postal Service personnel were present rather than as extending to all casual or impromptu comments or discussions that may have occurred in public forums where Postal Service personnel may have been present.*

¹ Docket No. R2000-1, Direct Testimony of James O'Brien on Behalf of Alliance of Nonprofit Mailers, American Business Media, Coalition of Religious Press Associations, Dow Jones & Company, Inc., Magazine Publishers of America, Inc., The McGraw-Hill Companies, Inc., National Newspaper Association, and Time Warner Inc. (TW-T-2) (May 22, 2000), Tr. 24/11166 at 11190-94; Testimony of James R. O'Brien, Director, Distribution & Postal Affairs, TIME INC., Before the President's Commission on the United States Postal Service (May 28, 2003).

² Docket No. R2000-1, Direct Testimony of James O'Brien (TW-T-2), Tr. 24/11169.

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The following statements come within the terms of subpart b), so construed and limited:

- Meeting at USPS Headquarters, "Product Redesign--Cost Based Rates," June 25, 2003. James R. O'Brien gave one of several presentations on "Examples of How Cost Based Rates Might Work" and was on a discussion panel on "Periodicals Class Issues." Also present were Nick Baranca, Don O'Hara, and Cheryl Beller of the U.S. Postal Service. The agenda for the meeting is Attachment A to this response.
- Testimony of James R. O'Brien, Director, Distribution & Postal Affairs, TIME INC., Before the President's Commission on the United States Postal Service (May 28, 2003), available at <http://www.treas.gov/offices/domestic-finance/usps/meetings.html>.

c) Your question asks about meetings "during which issues raised in this complaint were discussed." For the purpose of this response, we construe the words "issues raised in this complaint" as synonymous with the words "subjects raised in this complaint" in subpart a). So construed, the following meetings come within the terms of subpart c):

- James R. O'Brien of Time Warner had two meetings with Postmaster General Potter, on December 3 and 17, 2003. At both meetings, Mr. O'Brien and Mr. Potter were the only people in attendance.

On December 3, Mr. O'Brien informed Mr. Potter that Time Warner Inc. (Time Warner) was considering filing a complaint case concerning Periodicals rates, briefly outlined the logic behind the case, and

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indicated that Time Warner had not yet made a final decision on whether to file the complaint. The meeting was intended as a professional courtesy to the Postal Service.

On December 17, Mr. O'Brien informed Mr. Potter that Time Warner et al. had decided to file a complaint case regarding the Periodicals class rate structure. He indicated that the complaint was not intended as hostile toward the Postal Service but was being undertaken in the hope of controlling Periodicals class costs and providing the incentive for mailers to change their behavior. Mr. Potter replied that he appreciated being informed of the complainants' intentions and that, while the Postal Service generally does not view complaints favorably, there was nothing that the Postal Service could do to stop the complainants from filing the complaint.

- On December 17, 2003, Mr. O'Brien also had a meeting with Postal Service Chief Marketing Officer Anita Bizzotto. They were the only two people in attendance. Mr. O'Brien informed Ms. Bizzotto of the complainants' intention to file a complaint case. Ms. Bizzotto reiterated Mr. Potter's sentiments regarding the Postal Service's general dislike for complaint cases and appreciation for being informed of the complainants' intentions.
- On December 16, 1998, James R. O'Brien met with Ashley Lyons, Douglas Madison, Donald O'Hara, and Altaf Tafique of the Postal Service. Mr. O'Brien presented the initial draft of an experimental Periodicals class rate structure that he referred to as a "rate grid" (Attachment B to this response). He expressed the view that such a

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rate structure was necessary because the existing rates in many cases lacked a strong correlation to Postal Service costs. He gave as an example a carrier route bundle on a 5-digit pallet versus the same bundle on an SCF pallet, with both pallets being entered at the destination SCF. Although the two bundles would receive vastly different mail processing with significantly different associated costs, they both paid the same postage under the existing rate structure. Mr. O'Brien stated that the proposed rate grid would recognize these cost differences in the rate structure and provide the incentive for mailers to prepare more efficient mail. At the end of the meeting, the Postal Service representatives indicated that they would review the structure.

**Attachment A to Institutional Response of Time Warner et al. to
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PRODUCT REDESIGN – COST BASED RATES

June 25, 2003 – 10:30 AM – 4:00 PM, Ben Franklin Room – 475 L'Enfant Plaza SW, WASH DC

Meeting Agenda

10:30-10:45

USPS Vision: Nick Barranca

10:45-11:00

Meeting Goals and Ground Rules: Bob O'Brien

11:00-2:00 (Working Lunch)

Presentations/Examples of How Cost Based Rates Might Work:

Presenters: Jim O'Brien, Don O'Hara, Val Scansaroli, Joe Lubenow, Peter Moore

Discussion: All

10:30-10:45

Initiatives/concepts that enable Cost Based Rates

- **Co-palletization: Brad Nathan**
- **Co-mailing: Joe Schick**
- **Merging of Standard and Periodical flats: Joe Lubenow**

2:30-3:00

Discussion of Standard Mail Issues:

Leader: Anita Pursley

**Standard Mail Representatives: Martin Bernstein, Jerry Cerasale,
Gene Del Polito, Nancy Fischman, Vince Giuliano, Brad Nathan, Joe Schick**

- **The State of the Class as seen by the Industry representatives**

3:00-3:30

Discussion of Periodical Class Issues

Leader: Val Scansaroli

**Periodicals Representatives: Rita Cohen, Joyce McGarvey, Jim O'Brien,
David Schaefer, Howard Schwartz, David Straus**

- **The State of the Class as seen by the Industry representatives**

3:30-4:00

Wrap-up and Next Steps

Attachment B to Institutional Response to APWU/TW et al.-T1-4

PERIODICALS CLASS EXPERIMENTAL RATE STRUCTURE (DEC. 16, 1998)

			NEW RATES.xls					
PIECE	BUNDLE TYPE	CONTAINER	ENTRY			DESTINATING TRANSFER HUB	ORIGINATING TRANSFER HUB	OTHER
			DDU	SCF				
NON-BARCODED	CARRIER ROUTE	5 DIGIT PALLET						
NON-BARCODED	CARRIER ROUTE	CARRIER ROUTE SACK						
NON-BARCODED	CARRIER ROUTE	5 DIGIT SACK						
NON-BARCODED	CARRIER ROUTE	3 DIGIT PALLET						
NON-BARCODED	CARRIER ROUTE	3 DIGIT SACK						
NON-BARCODED	CARRIER ROUTE	SCF PALLET						
NON-BARCODED	CARRIER ROUTE	SCF SACK						
NON-BARCODED	CARRIER ROUTE	ADC PALLET						
NON-BARCODED	CARRIER ROUTE	ADC SACK						
BARCODED	5 DIGIT	5 DIGIT PALLET						
BARCODED	5 DIGIT	5 DIGIT SACK						
BARCODED	5 DIGIT	3 DIGIT PALLET						
BARCODED	5 DIGIT	3 DIGIT SACK						
BARCODED	5 DIGIT	SCF PALLET						
BARCODED	5 DIGIT	SCF SACK						
BARCODED	5 DIGIT	ADC PALLET						
BARCODED	5 DIGIT	ADC SACK						
BARCODED	5 DIGIT	MIXED ADC SACK						
NON-BARCODED	5 DIGIT	5 DIGIT PALLET						
NON-BARCODED	5 DIGIT	5 DIGIT SACK						
NON-BARCODED	5 DIGIT	3 DIGIT PALLET						
NON-BARCODED	5 DIGIT	3 DIGIT SACK						
NON-BARCODED	5 DIGIT	SCF PALLET						
NON-BARCODED	5 DIGIT	SCF SACK						
NON-BARCODED	5 DIGIT	ADC PALLET						
NON-BARCODED	5 DIGIT	ADC SACK						
NON-BARCODED	5 DIGIT	MIXED ADC SACK						
BARCODED	3 DIGIT	3 DIGIT PALLET						
BARCODED	3 DIGIT	3 DIGIT SACK						
BARCODED	3 DIGIT	SCF PALLET						
BARCODED	3 DIGIT	SCF SACK						
BARCODED	3 DIGIT	ADC PALLET						
BARCODED	3 DIGIT	ADC SACK						
BARCODED	3 DIGIT	MIXED ADC SACK						
NON-BARCODED	3 DIGIT	3 DIGIT PALLET						
NON-BARCODED	3 DIGIT	3 DIGIT SACK						
NON-BARCODED	3 DIGIT	SCF PALLET						
NON-BARCODED	3 DIGIT	SCF SACK						
NON-BARCODED	3 DIGIT	ADC PALLET						
NON-BARCODED	3 DIGIT	ADC SACK						
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NON-BARCODED	ADC	MIXED ADC SACK						
BARCODED	MIXED ADC	MIXED ADC SACK						
NON-BARCODED	MIXED ADC	MIXED ADC SACK						

NOTE: ALL PIECE RATES ARE SUBJECT TO THE EXISTING EDITORIAL PIECE DISCOUNT
FORMAT FOR ADVERTISING AND EDITORIAL WEIGHT REMAINS THE SAME AS TODAY.

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APWU/TW et al.-T1-5. Please refer to your answer to APWU/TW et al.-T1-1. §3001.82 states that only complaints which raise an issue concerning whether or not rates or services contravene the policies of the Act shall be entertained in a complaint docket. Is it your testimony that current rates contravene the policies of the Act? Does your testimony fully describe all the ways in which the complainants believe the current rates contravene the policies of the Act? If, as the complainants' rate design witness, you are unable to fully speak to this issue please refer the question to the person(s) who can.

RESPONSE

The ways in which complainants believe the current rates contravene the policies of the Act are stated in Docket No. C2004-1, Complaint Of Time Warner Inc., Condé Nast Publications, A Division Of Advance Magazine Publishers Inc., Newsweek, Inc., The Reader's Digest Association, Inc. and TV Guide Magazine Group, Inc., Concerning Periodicals Rates, filed January 12, 2004. The jurisdictional sufficiency of complainants' statement of issues was addressed in Commission Order No. 1399, Order on Periodicals Rate Complaint, March 26, 2004, at 11: "In the Commission's view, they have provided, throughout their extensive filing, a full and complete statement of their grounds, including specific reference to the postal rates involved and the policies to which it is claimed they do not conform."

Response of Time Warner, Condé Nast, Newsweek, Reader's Digest, and TV Guide to ABM/TW et al.-T3-2, Redirected from Witness Gordon

should receive favorable consideration, although elsewhere in the same legislation Congress required that rates for other categories of mail not vary with distance.² The absence of any necessary connection between the ECSI provision and the unzonned editorial rate is strongly reinforced by the conclusion of the court in *Mail Order Ass'n. of America v. United States Postal Service*, 2 F.3d 408, 436 (D.C. Cir. 1993) that § 3622(b)(8) provides no legal or policy justification for an unzonned editorial rate. .

The educational, cultural, scientific, and informational value that periodical publications provide today is no less than when § 3622(b)(8) was enacted in 1976. That provision is still in effect, and ECSI remains a factor that the Commission must consider in the exercise of its ratemaking authority. The sentiment of Congress regarding this policy has not changed and is reiterated in the postal reform legislation that is currently moving through both houses (S 2468 and HR 4341). It is obvious that Congress does not intend to alter the policy of recognizing the ECSI value of Periodicals class mail when setting postal rates.

We agree with the past and present judgment of Congress that Periodicals class mail should receive a rate preference in recognition of its educational, cultural, scientific, and informational value. The rates and the classification structure we propose would not diminish the recognition that the Commission has accorded to the ECSI value of Periodicals and, in fact, recognizes ECSI^t through both a per-piece and a per-pound discount for editorial content. Clearly, our proposal reflects a belief that ECSI remains an appropriate factor to be considered in the establishment of Periodicals class rates.

² E.g., 39 U.S.C § 3683 ("Uniform rate for books; films; other materials"); and § 3623(d) (requiring "one or more classes of mail for the transmission of letters sealed against inspection," and that "the rate for each such class shall be uniform throughout the United States").

1 CHAIRMAN OMAS: There being no further
2 business today, this hearing is adjourned. Thank you
3 for your consideration.

4 (Whereupon, at 12:32 p.m., the hearing was
5 adjourned.)

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REPORTER'S CERTIFICATE

DOCKET NO.: C2004-1
CASE TITLE: Complaint of Time Warner, Inc., et al.
HEARING DATE: July 13, 2004
LOCATION: Washington, D.C.

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before the Postal Rate Commission.

Date: July 13, 2004



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